

Signs East Timor softening Greater Sunrise stance

By [Damon Evans](#) 21 March 2017



Woodside's North Rankin Complex in Western Australia. The company hopes to tap Timor Sea reserves. (Woodside)

For more than five years, East Timor has insisted the Woodside-operated Greater Sunrise gas fields – which straddle the country's disputed maritime boundary with Australia – should be developed on southern Timorese shores or not at all. But there are signs this stance could be softening.

The front-runner in East Timor's presidential elections, held on 20 March, offered a more conciliatory tone on the stalled project. Francisco Guterres, who is backed by the country's de facto power broker, Xanana Gusmão, said on the eve of the elections that there are now "better prospects" for an agreement over the disputed maritime boundaries with Australia, which could lead to a deal for the development of the 151 billion cubic metres of gas reserves in the Timor Sea.

Guterres – who hopes to be named president when the official results are published on 3 April and is a leading figure in the powerful Fretilin Party, part of the ruling coalition – left open the possibility of Sunrise gas being processed in the Australian port of Darwin or via a floating LNG scheme.

But his comments were later retracted and he officially confirmed his support for developing Sunrise gas in East Timor.

"Officially, the pipeline [to East Timor] still seems to be the policy, but it may be signs of a shift," Rebecca Strating, an expert in Southeast Asian politics at La Trobe University in Australia, told *Interfax Natural Gas Daily*.

Gusmão, a former president and prime minister who effectively controls the government through his Ministry for Planning and Strategic Investment, has for years demanded that Woodside and its partners – "Shell, ConocoPhillips and Osaka Gas – build an LNG export plant in East Timor as part of his wider plans to develop a petroleum industry. But analysts

believe it would be more profitable and less risky to process the gas in Northern Australia, where export facilities already exist.

Boundary dispute

Perth-based Woodside has put Greater Sunrise on hold until there is certainty over maritime boundaries and revenue-sharing agreements between Australia and East Timor.

However, “there are rumours the Timorese leadership is now prepared to be more flexible with the development of Greater Sunrise”, said a source close to the ongoing UN-backed conciliation proceedings between the two nations, who declined to be named. The source added that it is unclear what East Timor would want in exchange for abandoning its plans to develop an LNG export plant on its shores.

East Timor and Australia remain engaged in a conciliation process to resolve their differences over maritime boundaries. The process was started in August 2016 under the UN Convention on the Law of the Sea.

Independent conciliators are trying to help the two nations reach an amicable agreement on maritime boundaries. At the heart of the dispute are the Greater Sunrise gas fields, which will remain undeveloped until the respective governments can settle a series of spats over borders and treaties that were initially designed to help unlock the area’s hydrocarbon potential.

East Timor’s negotiating team hope to get a permanent maritime boundary by offering their approval for Sunrise gas to be developed in Australia. Another source close to the proceedings told *Interfax Natural Gas Daily* there had been talk of this happening. As part of the deal, East Timor would also receive an offshore logistics base built on its southern shores instead of an LNG export complex. But a source at the UN, who declined to be named, told *Interfax Natural Gas Daily* that the Timorese have overvalued their bargaining position.

Little progress is expected until East Timor’s parliamentary elections, scheduled for July, are finished. The conciliation commission is expected to announce its conclusions in September.

“A change in government or a change in personalities might produce a government that is willing to think a little more laterally or flexibly around the interests in the Timor Sea,” said Strating.

However, James Scambary, a researcher with the Australian National University, expects the political status quo to remain unchanged after the parliamentary elections. He told *Interfax Natural Gas Daily* it would be a surprise if the government backed away from processing the gas in East Timor as so much is riding on it – not just the vested business interests with a stake in some of the proposed mega-projects tied to it, but also the weight of public expectation. “People have given up their land for these projects and expect to get a big payday,” he said.

But the world is awash with LNG and analysts have said there are plenty of export projects waiting in the wings in the United States, Papua New Guinea and East Africa which are more competitive and would be prioritised by investors over East Timor.

If East Timor does not soften its stance on Greater Sunrise – allowing the gas to be quickly developed in Australia – the country could be bankrupt within 10 years, as it has no clear plans to replace oil and gas revenues from declining production at Bayu Undan, which is expected to run dry by 2022.