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E Timor offers to buy out Sunrise partners

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East Timor Petroleum and Mineral Resources Minister Alfredo Pires. Source: News Corp Australia

EAST Timor is willing to buy out any disenchanted partners in the long-stalled Greater Sunrise liquefied natural gas project, the nation's Resources Minister says.

Alfredo Pires told reporters in Perth yesterday that the country had made the offers as part of an effort to break the deadlock that has left the large Greater Sunrise gas fields between Australia and East Timor undeveloped.

The current production sharing contract in place over Greater Sunrise is only valid until 2026, meaning there is pressure on governments and the project partners — Woodside Petroleum, Royal Dutch Shell and ConocoPhillips — to make a breakthrough.

"We're all in trouble because we've only got 10 years to go and no one is going to sign up with less than 10 years to long term contracts. We've got to do something — we've got to sit down," Mr Pires said.

"Different companies have different appetites … We're willing to purchase anyone's equity."

Mr Pires said East Timor's state-owned oil and gas company, Timor Gap, had the ability to step in and buy out any of the Greater Sunrise partners looking for an exit.

"I've raised the issue that if Woodside finds it too hard and wants to spend its money elsewhere … there's another way out," he said. "They've said they're not interested in selling."

East Timor has long insisted that any development of Greater Sunrise must include an LNG processing plant on East Timor soil. But studies by the project partners identified a floating LNG development as the cheapest and most suitable development option.

East Timor is also prepared to cover the cost of an undersea pipeline between Greater Sunrise and the nation, an option which East Timor has studied independently of the partners.

“We can do things like the pipeline — we now know that will be $800m. We can throw that in it as a nation,” Mr Pires said. “It’s not money being thrown away. We know we can get a decent return for that particular infrastructure.”

The Greater Sunrise partners have been resistant to East Timor’s push for an onshore processing plant, with terrain challenges and a lack of existing infrastructure adding to the cost of any development there.

A steep fall in oil prices over the past six months has made a breakthrough even more unlikely, with oil and gas companies big and small all cutting back their capital expenditure budgets in response to falling profits.

Concerns about sovereign risk in East Timor had been overplayed, Mr Pires said, noting that strife-torn nations such as Iraq and Angola continued to sustain significant oil and gas industries.

Mr Pires, in Perth to address the Australasian Oil and Gas conference, yesterday met with West Australian premier Colin Barnett and Woodside chief executive Peter Coleman.

Mr Pires said he had reservations about FLNG technology, saying it was unproven, more expensive than first thought and vulnerable to terrorist attack.

He said his “sources” told him that the budget for Shell’s world-first FLNG development, the Prelude project off northern WA, was much higher than expected.

Woodside last month said it had stopped work on Greater Sunrise, given the ongoing uncertainty around maritime borders and treaties in the Timor Sea.

A spokeswoman for Woodside yesterday said the company still believed there was an opportunity to develop the project. “The Sunrise Joint Venture remains committed to developing the Greater Sunrise fields, but requires the Timor-Leste and Australian governments to first agree the legal, regulatory and fiscal regime applicable to Sunrise.

“The SJV values its relationships with both governments and is prepared to investigate different options, as a way of facilitating tripartite agreement.”