

LNG**East Timor seeks to buy out Greater Sunrise partners**

The country could use its sovereign wealth fund to buy out Shell or Conoco as it tries to push development of an LNG plant on Timorese shores

By [Damon Evans](#) 6 August 2018

East Timor is considering buying out ConocoPhillips' and Shell's billion-dollar interests in the Woodside Petroleum-operated Greater Sunrise gas fields, which straddle the maritime border between Australia and East Timor.

In June, East Timor appointed James Rhee, managing director of Timor Leste Cement, to broker a deal with the oil companies regarding the development of the Greater Sunrise fields, which hold an estimated 142 billion cubic metres of gas.

Rhee has been tasked with mobilising \$5 billion worth of funding to develop Greater Sunrise as a greenfield LNG export project called Timor LNG, with the cash potentially coming from Korean export credit agencies. Separately, he will also explore the possibility of buying out the Sunrise joint venture partners, particularly Shell and Conoco. Rhee is trying to entice Korea National Oil Corp. and Kogas to invest in Dili's vision for Sunrise. But although he has ties to Korean conglomerates and financiers, his lack of oil and gas experience makes it hard to see the big Korean NOCs taking him seriously.

Rhee, a Perth-based businessman, is responsible for promoting East Timor's plans to host a liquefaction plant on its own shores.

According to a government source, a pipeline to East Timor with an onshore liquefaction plant at Beaco on the country's southern coast – as well as state participation through NOC Timor Gap – remain non-negotiable aspects of any potential development for the Timorese.

Perth-based Woodside operates the Greater Sunrise joint venture with a 33.4% stake on behalf of partners Conoco (30%), Shell (26.6%) and Osaka Gas (10%). Shell is probably the least keen of the partners to progress Sunrise, particularly since initial plans announced in 2010 to develop the fields using its FLNG technology were shelved. This means the Anglo-Dutch supermajor could be open to selling its share.

Based on the current gas reserves and the 226 million barrels of condensate the field holds, the total undeveloped Greater Sunrise asset would be worth around \$2.2 billion, estimates

Peter Strachan, an independent Perth-based oil and gas analyst. However, for investors with a clear path to market the value would be double that, he told Interfax Natural Gas Daily.

Meanwhile, despite saying last month it expects no development of Sunrise before 2027, Woodside remains the most motivated of the JV partners for a new project that would boost production and earnings. The company is well-known as an aggressive LNG developer, so if there were any proven LNG operator that would be willing to try and make Timor LNG happen, Woodside would probably be it.

Questionable benefit

If East Timor, which had \$16.9 billion in its sovereign wealth fund at the end of June, could buy out one or more of Woodside's partners and find some \$5 billion worth of development finance, then perhaps Timor LNG could become a reality.

Although there are restrictions on how the sovereign wealth fund can be invested, there are no binding limitations on how it is spent. And there is no legal reason it could not include buying out the Sunrise JV.

However, it is questionable whether it would be prudent for East Timor to dip into its sovereign wealth fund to make Timor LNG – which the country's leaders claim will provide great socioeconomic benefits for its people – a reality.

The government supports its grandiose claims on analysis carried out by Australia's Acil Allen. But the consultancy has been accused of using flawed methodology to support extravagant claims that building an LNG export plant would also transform Papua New Guinea's economy.

A report released in May by research group Jubilee Australia¹ alleged PNG's local economy has failed to receive significant financial benefits from the ExxonMobil-led \$19 billion LNG export project. Instead the effects on PNG's economy have been mostly negative.²

The people of PNG would have been better off had the project not happened at all, said Paul Flanagan, a former PNG treasury official and one of the report's authors. The publication is no doubt a cautionary tale for East Timor's leaders.

¹ <https://www.jubileeaustralia.org/latest-news/second-report-exploring-the-png-lng-project>

² <http://interfaxenergy.com/gasdaily/article/30741/png-lng-faces-flak-over-royalties-ahead-of-expansion>