Energy Intelligence

Australia Sweetens Sunrise Deal as LNG Concept Study Complete

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The long-running dispute over how to develop the Greater Sunrise gas fields — through an East Timor-based facility or an Australia-based facility — took a possible step forward with the latter sweetening the deal for the former.

The Australian government said it plans to invest part of its share of future revenues from any Woodside Energy-operated Greater Sunrise offshore gas development in an infrastructure fund for East Timor, also known as Timor Leste.

On Dec. 21, Australian Prime Minister Anthony Albanese said the fund would be created "to support any commercially viable solution" agreed upon by the Sunrise joint venture, which includes Woodside (33.44%), East Timor state-owned Timor Gap (56.56%) and Osaka Gas (10%).

"It is estimated that a successful project could deliver billions of dollars to the Timor Leste infrastructure fund over the life of the project, making it a nation-building initiative," Albanese said in a statement.

The Sunrise and Troubadour gas-condensate fields, discovered in 1974 and known as the Greater Sunrise fields, are located in the Timor Sea, with a gross contingent resource of 5.1 trillion cubic feet of gas and 226 million barrels of condensate.

Concept Study

The Australian investment proposal follows the completion of a concept study by Wood Group for the long-stalled potential LNG development of the gas fields that straddle the maritime boundaries of Australia and East Timor. The Greater Sunrise fields are located approximately 450 kilometers northwest of Darwin and 150 km south of East Timor.

The study evaluated four main development options: a greenfield project dubbed Timor Leste LNG (TLNG), Darwin LNG, Ichthys LNG and a new LNG facility in Australia.

"There appears to be no agreement on the best option yet. Australia's infrastructure pledge seems like a move to encourage Timor Leste to make concessions and agree to the most commercially attractive solution, which most analysts believe is now supplying Inpex's Ichthys facility," an industry source told Energy Intelligence.

A separate source said, "The entire concept study has been a PR exercise by Woodside and Osaka Gas to placate both governments. Developing Sunrise via Ichthys is not only the best shot, it's the only shot at a commercial solution."

East Timor: Option 'Viable'

On Dec. 23, the government of East Timor said the study carried out between April and November confirmed the option of developing the project in East Timor as “viable and the most advantageous for the country, guaranteeing significant economic and social benefits.”

“The TLNG option stands out for providing lower operational costs and, by allowing for better overall returns, both direct and indirect, for Timor Leste, it will create a major socio-economic impact in the country,” the government said in a statement without sharing data to support its claims.

It “is also the one that offers the highest returns for the Greater Sunrise Development Consortium (Sunrise Joint Venture),” it added.

The East Timor government has long insisted that Sunrise be developed as a greenfield project on its shores to boost its local economy; however, so far, no commercial investors have been willing to back this vision.

Japan’s Inpex is keen on negotiating a deal with Woodside and the Timorese to see Greater Sunrise backfill its 8.9 million ton per year Ichthys LNG facility in northern Australia. With its existing infrastructure, the project economics would be more commercially attractive compared to a greenfield development in East Timor, industry sources told Energy Intelligence.

A spokesperson for Woodside told Energy Intelligence that “the Sunrise Joint Venture participants are reviewing the outcomes of the concept study report and discussing next steps.”

PSC and Fiscal Negotiations Continue

In parallel, “The Sunrise Joint Venture participants continue negotiations with the Australian and Timor Leste governments to progress a new production-sharing contract [PSC], petroleum mining code and fiscal regime, along with technical and commercial work,” added the Woodside spokesperson.

Following the establishment of a new maritime boundary treaty between Australia and East Timor in 2018, negotiations between the governments and the Sunrise Joint Venture on a new Greater Sunrise PSC have been ongoing.

Woodside has said it remains committed to the development of Greater Sunrise, provided there is fiscal and regulatory certainty necessary for commercial development to proceed.

In a joint statement, the governments of Australia and East Timor said they “look forward to continuing to work with the relevant commercial parties towards our shared objective of realizing the development of the Greater Sunrise project.”

The “announcement between the prime ministers of Timor Leste and Australia to introduce new initiatives to support Timor Leste’s economic development is a welcome milestone in the bilateral relationship,” said Woodside.