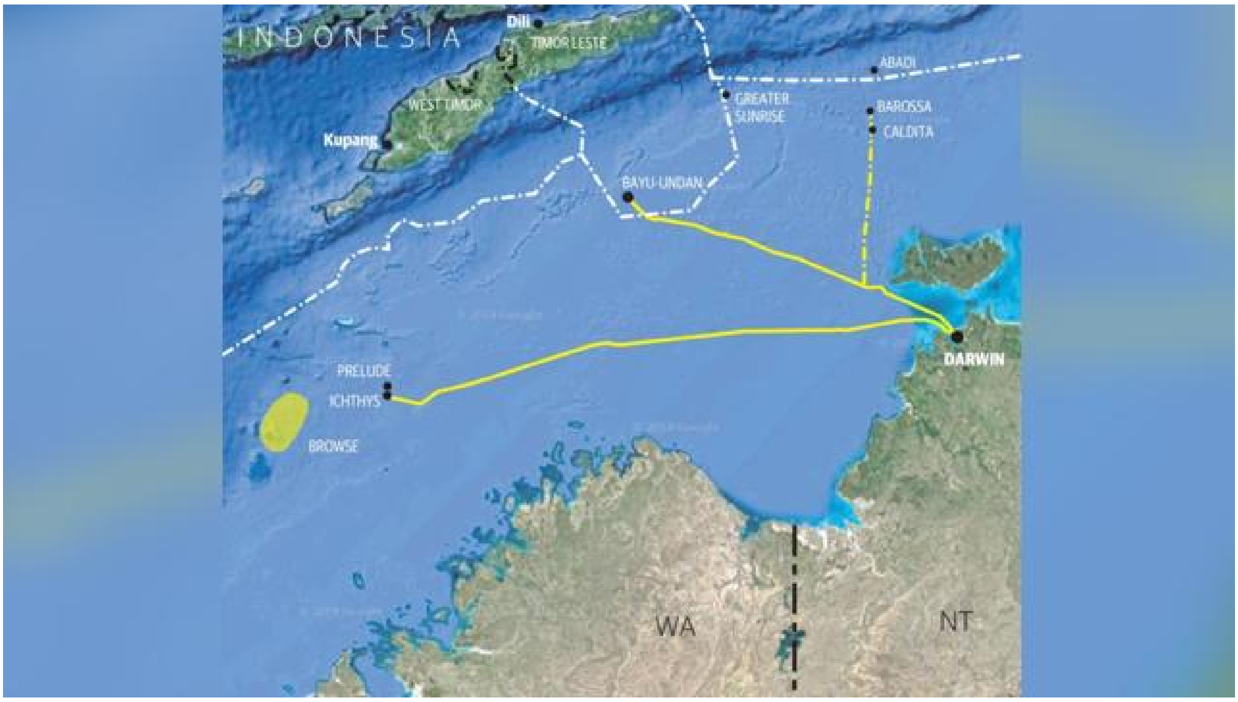
Woodside's Sunrise LNG project could be left behind as East Timor looks elsewhere

Peter Milne | The West Australian

Monday, 26 March 2018



The Woodside Petroleum-led Sunrise LNG project is in danger of getting left behind despite a recent breakthrough in maritime border talks, as East Timor pursues other gas fields to launch its LNG industry.

WestBusiness understands an international company with oil and gas experience is preparing to fund the re-use of the Bayu Undan offshore facilities to extract gas left in that field and three others to supply an East Timorese LNG plant.

The fields lie in the waters of both Australia and East Timor.

A source familiar with the plans said small modular LNG trains would be added as fields are developed. A new facility was being considered if access to the Bayu Undan facilities could not be agreed.

A continuing stand-off over how Sunrise is developed has firmed East Timorese resolve to find other avenues to replicate Papua New Guinea's success in developing an LNG industry. It comes as Sunrise operator Woodside's options are narrowed by rival field Barossa Caldita getting ahead in the race to backfill the Darwin LNG plant and a floating LNG option being shelved.

The Bayu Undan field, which has supplied much-needed cash to East Timor since 2006, will not have enough gas for the Darwin LNG plant by 2022 or 2023.

Woodside wanted Sunrise, discovered in 1974, to backfill the 3.7 million tonnes-a-year Darwin plant. However, East Timor has continued to push for a Sunrise LNG plant on its south coast.

The Conciliation Commission, which finalised the maritime border negotiation this month, failed to break the impasse on Sunrise, which straddles the waters of both countries.

The technical feasibility of laying a pipeline through 3000m-deep waters to East Timor was accepted by the commission's oil and gas expert, but the option was considered uneconomic.

Even if East Timor agreed to Woodside's plans, Sunrise is no longer in the lead position to supply Darwin LNG. Barossa Caldita received initial approval from the offshore regulator NOPSEMA last week.

Front-end engineering for the project, understood to have an eventual cost of about $5 billion, is scheduled to start next quarter. It could supply Darwin LNG for up to 25 years.

ConocoPhillips operates and owns 57 per cent of Darwin LNG, operates Barossa Caldita (37.5 per cent ownership) and holds 30 per cent of Sunrise.

It is undersood there was friction in the Barossa Caldita joint venture late last year when other participants discovered ConocoPhillips was involved in the border negotiations without their knowledge.

> At 488m long, it is the world's biggest vessel, and it's coming to WA's North West Coast.

A ConocoPhillips spokesman said it had been invited to take part as Bayu Undan operator because boundary changes could affect the field. "It is common in the industry to have multiple roles — we have robust processes in place to manage this," he said.

Another concern from industry players has been the independence of the commission and the Australian Government in the decision to send Sunrise gas to East Timor or Darwin.

Canberra offered $100 million towards a small gas pipeline to East Timor for domestic use if the bulk of the gas went to Darwin for LNG. There would be no contribution if the LNG plant was built in East Timor.

A Department of Foreign Affairs and Trade spokeswoman said Australia was neutral about where Sunrise gas was processed, and the contribution was at the request of the commission. The future of Sunrise is unclear if Barossa Caldita secures the capacity at the single-train Darwin LNG plant.

It is understood Woodside has not ruled out any development concept but is not progressing FLNG. Sending the gas to a new second LNG train at Darwin would be far less attractive economically than using the existing train.

A Sunrise joint venture spokeswoman said the venture remained committed to developing Sunrise.

Indonesia is the third national player in the gas-rich Bonaparte Basin, with the giant Inpex-operated Abadi field north of Barossa. Industry consultant Wood Mackenzie estimates it to have 22 trillion cubic feet of gas of recoverable reserves, more than four times the size of Sunrise.

Floating LNG was considered but dropped when the Indonesian Government ordered an onshore development in 2016.