



Negotiations: Timor-Leste Special Representative Xanana Gusmao
Photo: REUTERS/SCANPIX

Timor-Leste determined on Sunrise

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The Sunrise gas project is a frustration, and Timor-Leste's decision to buy ConocoPhillips' interest will not change anything in a hurry.

Even if Woodside, Shell and Osaka Gas waved the white flag and sold their interests to Timor-Leste, the tiny country does not have the resources to develop the field itself.

It would need the help of partners such as Chinese or South Korean companies, and Special Representative Xanana Gusmao is probably courting such investors.

Gusmao's standing at home has never been higher given his success earlier this year in leading government negotiations with Australia on a permanent maritime boundary.

But his determination — and that of most Timorese — to build a liquefied natural gas plant in Timor-Leste fed by Sunrise output is perhaps over-optimistic.

The Timorese want to create jobs and a new industry, but in an undeveloped country this is an extreme challenge. For example, the PNG LNG project in Papua New Guinea set off a construction boom that unsettled the economy, and once operations began the benefits were less than expected.

During the maritime border talks, Timor-Leste and Australia came up with a separate plan for developing Sunrise.

If Sunrise was developed with a pipeline to Timor-Leste then the share of upstream revenue would be 70% to Timor-Leste and 30% to Australia.

But if Sunrise was developed with a pipeline to the Darwin LNG site in Australia, the revenue share would be 80% to Timor-Leste, and the overall development cost would be significantly cheaper.

However, Timor-Leste reiterated in August its desire for Sunrise to be developed with an LNG plant in Beaco.

One LNG expert suggests it would more sense for Timor-Leste to let Sunrise be developed in the most cost effective way possible in exchange for an offshore services base and other investment that could bring more jobs than an LNG plant would offer.

Despite Timor-Leste's understandable ambitions, it remains hard to argue with the economics of routing Sunrise gas to Australia.