

LNG

## East Timor restarts Sunrise talks after elections

East Timor's historically firm opposition to the development of Greater Sunrise gas in Australia could shift following the swearing in of a new prime minister

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📷 Taur Matan Ruak on a visit to Indonesia in 2013. (Govt of Indonesia)

East Timor is restarting negotiations over the stalled Woodside Petroleum-led Greater Sunrise development in the Timor Sea following the election of a new government last month.

“The time has come to re-engage with Woodside and its joint venture partners with a view to negotiating a development model for Greater Sunrise that is beneficial to all parties involved while maximising investment in, and the future economic development of, [East Timor],” a government spokesperson told *Interfax Natural Gas Daily*.

As things stand, the government will insist on two points: that the state participates in the project through Timorese NOC TimorGAP; and that the gas is liquefied and exported from a proposed greenfield LNG plant at Beaco on East Timor's southern coast, instead of northern Australia.

Xanana Gusmão, leader of the National Congress for Timorese Reconstruction (CNRT) and arguably the country's most important political figure, has become fixated on processing Greater Sunrise gas in East Timor. He claims his country will see greater economic benefits by developing the gas on Timorese shores. The CNRT is the dominant party within a coalition of three that won May's election.

However, independent analysis released earlier this year by the UN concluded that Gusmão's favoured option, which involves piping the gas to a [5 mtpa LNG export plant in East Timor, is commercially unviable](#).

Under a treaty brokered by the UN and unveiled in early March, East Timor will be entitled to 70% of royalties from Sunrise should gas from the field be piped to its shores, while Australia would receive the remaining 30%. Should the gas be piped to Australia, East Timor would receive 80% of the royalties. The latter scenario is considered a commercially viable way of developing Greater Sunrise's estimated 142 billion cubic metres of gas, according to the independent experts commissioned by the UN.

The Sunrise joint venture partners, which include ConocoPhillips and Shell, have made attempts to further sweeten the deal for East Timor should it go for the Australian option. They have offered equity participation in the project for TimorGAP, more employment opportunities, and local content commitments such as building an offshore supply base in East Timor. On balance, this would result in greater economic benefits for East Timor compared with the Timor LNG proposal, the independent analysis showed.

## Potential for change

Despite East Timor's negotiators being instructed to oppose any development option that does not include an onshore liquefaction plant, it is possible new Prime Minister Jose Maria Vasconcelos – that who was sworn in on 22 June and is commonly known as Taur Matan Ruak – could change the narrative.

May's election came less than 12 months after an earlier general election toppled a CNRT-led government and replaced it with [an unstable minority administration that was unable to form a majority and was subsequently dissolved](#).

Even under the minority government, Gusmão retained his position as minister of planning and strategic investment. He will retain a similar role following the most recent elections, remaining in charge of East Timor's petroleum administration. This ensures he has access to considerable sums of money and, therefore, considerable influence. But sharing power with Ruak will ensure Gusmão is not able to dictate policy and will allow Ruak to try to introduce progressive economic reforms and, potentially, a more pragmatic approach to Sunrise.

Ruak's People's Liberation Party has argued the CNRT has wasted precious government revenue on unnecessary mega projects, including petroleum-related infrastructure schemes predicated on processing Sunrise gas in East Timor, that have done little to curb unemployment – a considerable problem in the poverty-stricken country.

East Timor's revenues, largely generated from the Conoco-led Bayu-Undan project, are shrinking rapidly. Without additional sources of income or significant cuts in spending, the country could be bankrupt by 2027. Bayu-Undan, East Timor's sole producing field, is expected to cease production by 2022.