

China Eyes Stake In Southeast Asia's Newest Oil Frontier | OilPrice.com

Tsvetana Paraskova, Oilprice.com 1 Sept. 2019

One of the world's youngest countries, East Timor in Southeast Asia, could turn to Chinese investment to help it develop a large oil and gas field estimated to hold US\$50 billion worth of resources.

At present, the projects for development of the Greater Sunrise fields and related energy infrastructure would be too risky economically for the tiny Pacific nation sitting just 400 miles north of Australia's north coast, politicians in Timor-Leste, as East Timor is also known, told the [Sydney Morning Herald](#) and The Age. That's why politicians from the ruling and opposition parties say that they would welcome Chinese investment—or any other additional investment for that matter—in the US\$15-billion Tasi Mane project as part of the Greater Sunrise development.

East Timor's Minister for Legislative Reform and Parliamentary Affairs and acting Minister for Economic Affairs, Fidelis Magalhães, told the Sydney Morning Herald that any investor willing to partner with the state-owned oil and gas company Timor Gap is welcome, yet any decision regarding Chinese or other participation would be “based on a commercial decision.”

Australia has been wary of growing Chinese influence across the Pacific and in Southeast Asia in particular. China, for its part, is claiming resources and territory in the South China Sea. Last week, the [United States accused China](#) of interfering with oil and gas drilling operations off the coast of Vietnam in the disputed waters of the South China Sea. According to the U.S., China's actions in the basin have blocked its neighbors' access to an estimated US\$2.5 trillion in untapped oil and gas resources.

While Australia is concerned about growing Chinese influence in its backyard, Canberra will have a stake in the fields in the Greater Sunrise area, which are estimated to [contain](#) 5.13 trillion cubic feet of gas and 225.9 million barrels of condensate, according to operator Woodside.

Early last year, Australia and East Timor [reached an agreement](#) in their long-running dispute over their maritime border and on a pathway to develop the gas fields in the Greater Sunrise territory they share.

Since East Timor gained independence in 2002, Australia and East Timor have been unable to establish permanent maritime borders to regulate how much each of the countries should receive in revenues from the Greater Sunrise basin within their borders —revenues estimated at billions of dollars.

Australia's Prime Minister Scott Morrison [visited](#) East Timor this week to strengthen the partnership between the two countries and to bring into force the ‘Treaty Between Australia and the Democratic Republic of Timor-Leste Establishing their Maritime Boundaries in the Timor Sea’ on August 30, 2019. Australia is expected to control 30 percent of the Greater Sunrise area.

Yet, development of the Greater Sunrise oil and gas fields would need more partners after majors Shell and ConocoPhillips sold their stakes in the fields earlier this year, leaving the majority of the fields in the hands of East Timor's state-held energy company, Timor Gap. ConocoPhillips [sold its 30-percent interest](#) in the Greater Sunrise Fields to the government of East Timor for US\$350 million plus customary adjustments. Shell also [sold its 26.56-percent stake](#) to the government, saying that “We understand the importance of this resource to the Timor-Leste nation and respect the Government's determination to pursue an alternative path to development through an onshore facility.”

Timor Gap, however, will need a lot of financial resources to start tapping the oil and gas resources in Greater Sunrise fields. The government's main revenue generator is the oil and gas from the [Bayu-Undan gas-condensate field](#) in the Timor Sea, operated by ConocoPhillips. Oil and gas extraction account for a [massive 80 percent](#) of East Timor's gross domestic product (GDP). However, the Bayu-Undan field is entering the final phase of its life cycle and is expected to stop producing oil and gas some time between 2021 and 2023, according to ConocoPhillips.

This suggests that East Timor's government revenues will continue to diminish and the country will need partners—be it China or others—in its new ambitious projects to develop the Greater Sunrise fields.