

### Oil and gas is Timor-Leste's ticket to prosperity. Is this impoverished nation blowing its one chance?

By Anne Barker and Michael Barnett in Suai, Timor-Leste

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**PHOTO:** The international airport usually only has one flight a day. (ABC News: Michael Barnett )

**At Xanana Gusmao International Airport on Timor-Leste's picturesque south coast, a morning flight comes in to land.**

In fact, it is the only plane scheduled for the day. The next regular flight will not be for another four days.

As the 15 passengers collect their bags and leave, the airport empties into a silent, cavernous shell.

Inside, the check-in desk is unstaffed. The X-ray machine at immigration is switched off.

The empty departure lounge gleams with new chairs that look as if no-one has ever sat in them.

There is not a soul in the VIP lounge.

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#### Key points:

- Timor-Leste wants to process oil and gas onshore rather than send it to Australia
  - It will cost at least \$16 billion to build the infrastructure to process gas
  - Critics say the project is doomed to fail and has already resulted in 'white elephant' projects
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It has been like this since the airport opened in 2017 at Suai, in Timor-Leste's remote south-west.

"At the moment it's just lying empty. There is no real scope for any real air traffic coming through there," says RMIT academic James Scambary, an authority on Timor-Leste.

"We're not really sure what the Government had in mind when they commissioned it."



**PHOTO:** The empty departure hall at Xanana Gusmao Airport. (ABC News: Michel Barnett )

At a cost of \$120 million, some wonder why the airport was built at all.

"There are much more sustainable, equitable and beneficial ways to spend that money," says Charlie Scheiner from La'o Hamutuk, an independent NGO that monitors economic development in Timor-Leste.

But it is not only the airport that has raised eyebrows here.



**PHOTO:** Timor spent half a billion dollars on this four-lane freeway, which is barely used. (ABC News: Michael Barnett)

Barely a kilometre away is a four-lane 'super highway' built by a Chinese consortium at a cost of around \$500 million.

But it is a road to nowhere. The 33-kilometre highway connects Suai to a bumpy dirt road that leads to a few small villages surrounded by farmland.

And wet season rains have rendered the highway virtually unusable.



**PHOTO:** The freeway has been blocked by a landslide for months. (ABC News: Michael Barnett)

A massive landslide at one end has completely blocked the east-bound lanes since January.

Further along, a huge chunk of road has collapsed, forcing what traffic there is to drive on the wrong side.



**PHOTO:** This section of the freeway collapsed in heavy rain, so motorists use the wrong side of the road. (ABC News: Michael Barnett )

Both the airport and highway are, for now at least, 'white elephants': built at a huge cost but of little use.

They sit incongruously surrounded by small towns, vegetable plots and virgin forest.

However, Timor-Leste regards both projects as key to its long-term economic future.

## Timor-Leste gambles big on oil and gas

The airport and highway are part of a massive infrastructure project to develop the entire south coast called the Tasi Mane project.

The plan is to pipe billions of dollars of oil and gas from the Timor Sea to process onshore.

"The heroes of the independence struggle in this country are very strongly in favour of this project, and so other people are reluctant to question them," Mr Scheiner says.

Many of those independence heroes, including Xanana Gusmao himself, are now in government.



**PHOTO:** Former Timorese president Xanana Gusmao is leading the Tasi Mane project to develop the country's south coast. (Reuters: Lirio Da Fonseca)

It is Mr Gusmao who has led the Tasi Mane project, which the Government hopes will gather momentum once Timor-Leste and Australia ratify the maritime border treaty next month.

The treaty will grant Timor the rights to most of the royalties from the still undeveloped Greater Sunrise field, valued at about \$50 billion.

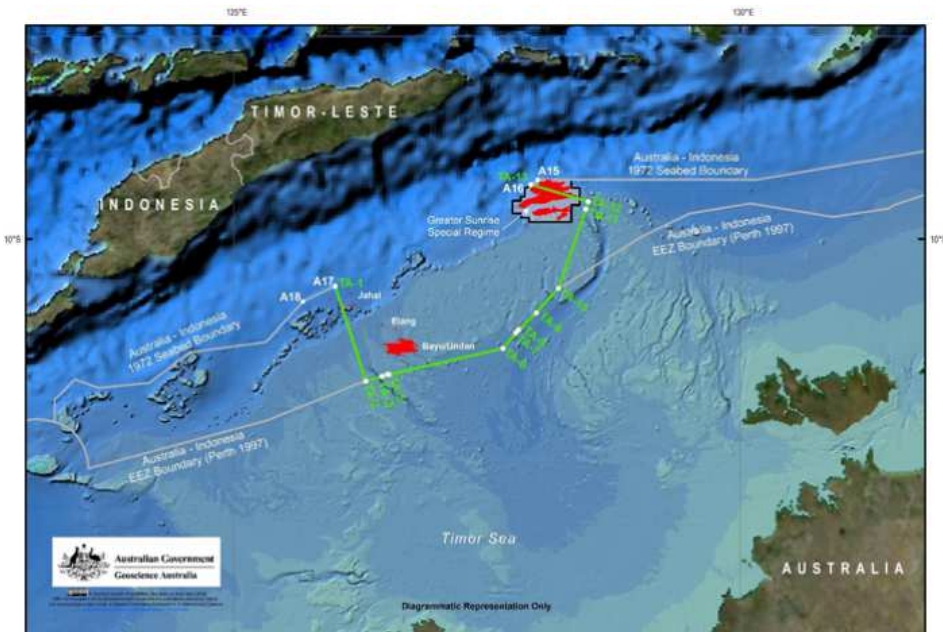
The state-owned oil company Timor Gap believes it is worth far more.

"Our figures show it's more than \$76 billion, based on the reserves that we calculated," its CEO Francisco Monteiro says.

"We are set to receive over the life of the project at least \$28 billion."

But critics say the cost of the project will far outweigh the returns.

East Timor is almost wholly reliant on oil and gas for its revenue.



**PHOTO:** The map shows the maritime boundary which was agreed by Australia and Timor-Leste in March 2018. (Supplied: DFAT )

But rather than pocket the royalties from offshore processing without spending a cent, as it does with the existing Bayu Undan field, it is determined to build its own facilities.

The Tasi Mane project includes plans for an LNG plant, a refinery, an industrial base, seaports, a second airport and a highway linking them all along the entire south coast.

All of this will require an outlay of up to \$16 billion.

That is roughly equal to the amount now sitting in Timor-Leste's Petroleum Fund — the same fund that pays for the Government's annual budget to cover health, education and other vital services.

On top of this, Timor has separately paid about \$900 million to buy a majority stake in the Greater Sunrise project, giving it control over how — and where — the oil and gas are developed.

Timor Gap is now trying to source \$16 billion in loans from foreign banks and investors, including China's Exim Bank.

But analysts and many in the petroleum industry say the project is simply unviable, will create few real jobs for Timorese workers, and could send East Timor into a Chinese 'debt trap' if the project fails.

"Betting the entire resource endowment, the \$17 billion that is saved in the Petroleum Fund, on one project in the petroleum sector, is a bad gamble," Mr Scheiner says.



**PHOTO:** Critics say Timor-Leste should focus on developing local industries, like its emerging coffee bean exports. (Reuters: Jim Watson)

Mr Scheiner believes the petroleum sector is the least efficient way of creating jobs in Timor.

"We need to focus on agriculture, we need to focus on tourism, we need to focus on small industries to produce things that are used here," he says.

Early this year, Timor's Parliament passed amendments to whittle away some of the legislative checks and balances that were set up to stop politicians siphoning money from the Petroleum Fund for white elephant projects.

## Timor-Leste's leaders push ahead, but is it a pipe dream?

James Scambary questions the Government's obsession with bringing the oil and gas to East Timor against all advice to the contrary.

"The kind of attitude you get is: 'Well, we won the war against the Indonesians. We won the dispute with Australia over the sea boundary, and you said we couldn't do this. And we'll do this too,'" he says.

"If courage and determination could build an oil refinery it would be world class, but of course it doesn't."

Then there are the considerable technical challenges to the project, including the need to build a 286-kilometre pipeline across a 2,800-metre-deep trench near East Timor's south coast.

A US bathymetric survey concluded that the pipeline would need to be heavier than any pipe ever laid, to withstand the pressure at such depth.

If the pipeline flooded, there would be an unacceptable risk that it might break. There would be no possible remedy because of the depth.

Even the Greater Sunrise partners have opposed the Tasi Mane project.

Woodside Petroleum, the joint venture operator, will not invest in the onshore plants.

ConocoPhillips and Shell have both sold their stakes in the Greater Sunrise project because of concerns about Timor's ability to process onshore.

Despite this, a report prepared for the country's state-owned oil company suggests the Tasi Mane project would generate around 12,700 jobs during construction and 2,000 ongoing jobs, "the majority of whom are expected to be Timorese".

The report predicts a second construction phase would generate up to 12,600 jobs by 2028.

But Mr Scambary says Timor simply lacks the skilled workforce to build or operate an LNG plant or oil refinery.

"It seems to be absolute fantasy. Most of the people who work there will be foreigners," he says.

Critics say the Government has not invested in the kind of skills that they need to participate in the petroleum industry.

"There are no vocational training schemes required to build people up to [be] welders, fitters, boiler makers, technicians who work in these facilities. They just aren't there," Mr Scambary says.

## Locals lose hope that oil and gas jobs are on the horizon

Even those who live closest to the Tasi Mane project have little faith that it will lead to jobs.



**PHOTO:** Leonel Amaral says he was forced to accept \$3 a metre from the Government for his land. (ABC News: Michael Barnett )

Leonel Amaral is one of hundreds of residents at Suai who agreed to sell his home and land to make way for the new airport.

In return he says they were promised their children would be given jobs at the airport.

"I wanted two of my children to work at the airport because I gave my land to the state," he says.

"They promised that our children would work there. But today, none of my kids works there."

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## 'Not even China will bankroll it'



Timor-Leste has pursued its vision for a pipeline for years, but Australian officials worry the nation is plunging finite resources into a doomed project.

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Mr Amaral says residents feel short-changed by the Government.

"We were offered \$7 a square metre [for our land], then they reduced it to \$4. But they only paid us \$3 per metre," he says.



**PHOTO:** This group of residents say the Government pressured them to move to make way for the airport. (ABC News: Michael Barnett )

The residents now live in a newly built area directly next to the airport.

The street looks onto the runway, but with barely one plane a day, the noise is hardly an issue.

The residents acknowledge that the Government has also gifted them new homes here, built by an Australian company.



**PHOTO:** The Suai residents say their homes were not built for Timorese summers. (ABC News: Michael Barnett )

But the homes, they say, are more suited to a colder, Australian climate, and are too hot for comfort.

Many also complain they have lost valuable farm land.

"They abandoned us, didn't pay money for what I lost," Mr Amaral says.



**PHOTO:** Leonel Amaral says he feels abandoned by the Timorese Government. (ABC News: Michael Barnett)

Despite everything, East Timor is determined to press ahead with the Tasi Mane project, confident the country will be on a winner once the royalties from Greater Sunrise begin to flow.

Timor Gap is projecting net profits of almost \$45 billion over the life of the project, although the first positive returns after debt won't be until 2030.

It is good enough for the CEO of the state-owned oil company Francisco Monteiro.

"Why would we ever think about failure?" he asks.

With one of the youngest populations on earth — the median age is 17 — officials fear unemployment could skyrocket in the next few years.

"The way to develop this country is industrialisation. We can't just live life as it is. If we continue to go on like this for another five to 10 years, we will be in trouble," Mr Monteiro says.



**PHOTO:** Nearly 75 per cent of Timor's population is under 35, which officials fear could lead to high unemployment. (Reuters: Jim Watson)

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