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Opinion

Australia should back East Timor's LNG dream and head off China

The China card is being played against Australia everywhere in the Pacific. What does the fight over LNG processing in East Timor tell us about how to deal with it?

Geoff Raby, Columnist

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It was just a matter of time. East Timor's President Jose Ramos-Horta has warned that if Woodside does not cave in to the long-standing demand to process Greater Sunrise gas onshore in that country, he will ask China to develop the project.

Of course, that is easier said than done. China has showed little interest in the project and Woodside holds about 33 per cent of the lease. Woodside insists the gas be piped to Darwin for processing.

Caption: Gas is piped to Darwin from the Bayu-Undan field in the Timor Sea. The Ramos-Horta government wants the gas to be processed in East Timor.

Other than ownership arrangements for the project, little else has changed since I led negotiations on the Greater Sunrise unitisation agreement for the Howard government in 2001-03. At the time, the Anglo-Dutch petroleum giant Shell was the majority shareholder, and the approval of its board was required for the project to proceed. Although East Timor's National Oil Company now holds a 56 per cent share, the issue of where to process the commercially valuable downstream gas still remains.

While piping the gas to East Timor for processing involves substantial technical challenges, especially crossing the 3300-metre deep Timor Trough, commercially viable technical solutions did exist then and are likely to be more readily available now.

Shell's objection was not so much technical or commercial but political. Sovereign risk in the then newly independent country was deemed far too high for a multibillion, multi-year investment.

At the time, we were told by company officials that there was no way a board in the distant Netherlands would approve exposing the company to such a level of political risk. Woodside's board is much closer to the region and East Timor has now had 20 years of political stability. Political risk is still likely to be the main barrier to processing the gas onshore in the country, although neither Woodside nor the Australian government will say so.

East Timor's government would know this for a fact; hence the threat of inviting China to build the project. If it were not technically or commercially viable, it would be an empty threat. Foreign Minister Penny Wong is in East Timor this week, attempting to resolve the standoff with Woodside.

Shock among the strategic policy community

China Inc's view of sovereign risk is far removed from corporate boards in the West. In part, China legitimately evaluates political risk in different ways than international corporations – but in part non-commercial considerations such as foreign policy objectives come into play.

Australia, having talked up the China threat in the region, finds itself on a cleft stick. Smaller states have always sought to play bigger powers off against each other, to their advantage. Not surprisingly, most Pacific Island states have been doing this for decades. East Timor has been late to the party.

In the 2000s, Taiwan and China pursued dollar diplomacy, each attempting to outbid the other for influence and recognition. When challenged over this, a Chinese foreign ministry colleague boasted that if China really wanted to play that game, it could outbid Taiwan on every occasion. Perhaps it might have, but it was less interested in the contest in those days than it is now.

China is now a much more formidable presence both economically and politically in the Pacific. Its most recent diplomatic success was attracting a switch in recognition by Solomon Islands from Taipei to Beijing.

> **The China card is being played against Australia at every turn. But our hand is weak and we have not been particularly adept at the game.**

The fear of China having access to port facilities in the Solomons has shocked the strategic policy community, leading to heated commentary during May's election in Australia, and a flurry of visits and activity subsequently. Promises of climate action and infrastructure funding did not stop the Solomons granting key telecommunications licences to Huawei.

From the Pacific, through Papua New Guinea and now to East Timor, Australia finds itself in a game for influence. The China card is being played against Australia at every turn. But our hand is a weak one and the history of our relations with these states demonstrates that we have not been particularly adept at it.

The key questions to ask are: does it matter much, if at all, to Australian security – and if it does, how can we avoid being played like this?

Although we are deafened by the crescendo of those asserting that some Chinese access to port facilities in the Solomons, more than 2000 kilometres from Australia, would be a clear and present danger, it does seem a rather long way away. It should allow plenty of time for the Royal Australian Navy fleet to sail from Sydney.

Of course, it has never been established that China wants or sees advantage in having a naval presence in the Solomons.

We need hard-headed analysis of how this detracts from Australia's security. Of course, we would all want to go back to a period when a Chinese presence in the Pacific was impossible to imagine, but those days are long gone and this is the reality Australia must confront, and then work out best how to respond.

Possibility of a Chinese presence in East Timor

More concerning would be a presence in East Timor, in view of its proximity. Funding a few sports stadiums and government buildings, and possibly funding the onshore processing of gas in Timor, do not necessarily beget some military presence.

East Timor has one major foreign policy sensitivity, and that is its relations with Indonesia. Jakarta would no doubt have its own serious reservations about an East Timor that allowed itself to become too close to China. For its part, China would be hugely sensitive to any Indonesian concerns over an outsized, let alone military, presence in East Timor.

Small states have agency and wish to preserve their independence, and thus keep their distance from all major players, including Australia, while seeking to maximise benefits. It is a clever optimisation strategy for them to adopt.

Australia should avoid exaggerating the security threat posed by Beijing's activities, judging each on the facts and not as some generalised Chinese takeover of the Pacific. Given China's weight and size, its appetite for imported resources and protein, it is inevitable its activities and influence in the region will grow. It is also inevitable that China will seek to protect its interests in the region.

Australia's best defence will be the quality of its relations with each state and every political leader, based on respect for their sovereignty – and accepting, without arrogance, that small states wish to protect their independence and are the best judges of their national self-interest.

In the short term, panicked reactions – such as bidding against China, or trying to have certain investments or activities blocked – will only invite rejection, increasing the price for Australia, to no avail. Deep, long-term, and above all consistent engagement will be well received and more likely to secure and anchor Australia's influence.

As for Greater Sunrise, the Australian government should support in principle the processing of the gas in East Timor. It should work with both the East Timor government and Woodside to make this can happen.

This would be the most effective way to ensure Australia has a prosperous and stable neighbour, and to minimise China's influence.

East Timor Prods Australia on Long-stalled Gas Project

By Sonali Paul, Offshore Engineering (Reuters), 7 September 2022

Indonesia, South Korea, Japan and China could all be interested in investing in a long-delayed gas project in the waters between East Timor and Australia crucial to the Asian nation's future, East Timor President Jose Ramos-Horta said on Wednesday.

Ramos-Horta named them as potential investors as his country is pushing to break a stalemate with Australia over how to develop the Greater Sunrise gas fields, looking to pipe the gas to East Timor instead of to Darwin as favored by the project's operator, Woodside Energy Group.

"So Indonesia is a potential investor in Greater Sunrise. Why not? South Korea is one of the great potential investors," Ramos-Horta said in a speech at the National Press Club in Canberra.

Investors from Japan and China could also be interested, he said.

He urged Australia to back a pipeline to East Timor, saying it could help turn his country into the next Dubai or Singapore, bringing the country $50 billion in revenue and $50 billion in development benefits.

"We have a neighbor, Australia, that can make this miracle happen," Ramos-Horta said.

He is due to hold talks with Australian Prime Minister Anthony Albanese on Thursday.

The two fields that make up Greater Sunrise were discovered in 1974 and hold an estimated 5.1 trillion cubic feet of gas and 226 million barrels of condensate, a type of light crude oil typically found with gas.

Development was first stalled by a bitter maritime boundary dispute that was resolved in 2018. Now the main hurdle is disagreement over whether to pipe the gas to a new liquefied natural gas (LNG) plant in East Timor or to an existing LNG hub in Darwin.

The project is key to Timor's future as its main source of revenue, the Bayu Undan oil and gas field, will stop producing later this year, leaving the country almost wholly dependent on its petroleum fund which currently holds $18 billion.

Woodside and industry experts have long said it would cost billions more to develop Sunrise via East Timor than Darwin.

Ramos-Horta said it made no sense to him to send the gas to Darwin, which would require a 500-kilometre (310-mile) pipeline, rather than to East Timor with a 200 km pipeline, and added that operating costs in Timor would be much less than in Australia.

"I don't understand the economic logic of the joint venture of insisting to take that pipeline. But we are open to discussions with the government."

An independent study leaked to the Australian Financial Review last month showed that the total capital cost for the LNG project would be $11.8 billion in Darwin and $14.1 billion in East Timor.

Ramos-Horta said he was confident Sunrise would be developed, possibly in tandem with the Abadi gas field off Indonesia.

"I'm also confident that in the end we will reach agreement with Woodside and the other joint venture members," he said.

Japan's Inpex Corp, operator of the Abadi gas project, declined to comment on Ramos-Horta's remarks.

A Woodside spokesperson reiterated on Wednesday that its focus is for the joint venture, which includes state-owned petroleum company Timor Gap and Japan's Osaka Gas, to finalize a production sharing contract with the Timor and Australian governments before debating development options.

Ramos-Horta echoed comments by Timor Gap, the majority stakeholder in Sunrise, that studies show there are no economic or technical obstacles to piping gas to East Timor, despite the challenge of traversing a deep ocean trench.

Comments by Ramos-Horta that China could invest in the gas project come at a time when Australia and its allies have raised concern about Beijing's growing influence in the region after it signed a security pact with the Solomon Islands.

However, he played down any security risk from China investing in a pipeline.

When asked to assess the situation in the Solomon Islands, he said would advise the Pacific islands not to bring in regional powers that might be unwelcome to their neighbors.

"Any rational Timorese leader would never do anything without taking into consideration the sensitivities of your neighbors," he said, noting that East Timor was strategically located between Australia and Indonesia.

(Reuters - Reporting by Sonali Paul; Additional reporting by Yuka Obayashi; Editing by Jacqueline Wong, Christian Schmollinger and Kim Coghill)

East Timor President José Ramos-Horta pressures Woodside to pump gas to island nation over Darwin

Andrew Tillett AFR *7* Sep. 2022

East Timor could become the next Dubai or Singapore if Australian resources giant Woodside agreed to pipe gas there instead of Darwin for processing, the island nation's President Jose Ramos-Horta said as he steps up pressure on Anthony Albanese to support the project.

Australia and East Timor also agreed to upgrade defence co-operation ties, particularly in maritime security and surveillance, during the president's visit to Canberra, amid concern over China's growing presence in the region.

Dr Ramos-Horta said the extent of China's territorial claims in the South China Sea were "unsustainable" and Beijing needed to tread carefully over Taiwan. But he also talked down the security threat Beijing posed because China's economic rise had been built on stability.

"I don't think that China intends to invade anyone," Dr Ramos-Horta told the National Press Club.

"China has too many neighbours. Too many choke points. And to feed itself, it depends on the stability in the seas, freedom of navigation. It depends on the stability in the world."

Dr Ramos-Horta took a thinly veiled swipe at Solomon Islands PM Manasseh Sogavare over his security pact with China, which has alarmed the Pacific, saying "any leader that is serious about being a leader, you have to be sensitive to your neighbours".

As part of his visit to Australia, Dr Ramos-Horta is lobbying to kick-start development of the $US50 billion ($71 billion) Greater Sunrise gas project in the Timor Sea.

The East Timorese government, which owns the majority stake, wants the gas piped to its undeveloped southern coast 150 kilometres away, but joint venture partner Woodside argues a 450 kilometre-long pipeline to Darwin is the only commercially viable option. A major engineering challenge to pipe the gas to East Timor is the 3000-metre deep "Timor trench".

Dr Ramos-Horta raised the project in talks with Mr Albanese on Wednesday, arguing it was in the best interests of both governments and the company's shareholders for the gas to be piped to East Timor.

He said labour costs and taxes in Australia were "horrendous". It made no economic sense to pump gas further away when East Timor was closer to the field and Asian customers, Dr Ramos-Horta added. He dismissed concerns about sovereign risk, saying East Timor was more peaceful than the Gulf countries.

"Look at Timor-Leste as part of Australia's grand national strategic interests. And Timor-Leste will look at Australia as part of the grand national strategic interest," Dr Ramos-Horta said.

"I hope the Australian government can assist in bringing the pipeline to Timor-Leste. Australia would in this way contribute to a very dynamic Timor-Leste economy in the next few years. You would see TimorLeste like either another Dubai or another Singapore."

Dr Ramos-Horta last month sought to press Woodside and Australia by raising the possibility of having China build the pipeline. He told the Press Club Chinese co-operation would amount to "just a pipeline" and not maritime security.

He said the Port of Darwin was rented to China for 100 years and "no-one lost sleep over it".

"But people lose sleep over just some fishing vessels, all Chinese fishing vessels coming to Solomons or going to Timor-Leste," he said.

No climate issue with gas

Dr Ramos-Horta was also dismissive of calls from environmentalists to stop new gas projects because of climate change, saying gas was a cleaner form of energy while calling out developed nations after they had already polluted the world.

"The Europeans, Australia, the US, give us $100 billion and we will give up on the Greater Sunrise development. Other than that, please don't lecture me," he said.

Woodside maintains the project is being held up because of a lack of a production sharing contract [PSC] between the company and the Australia and East Timorese governments, which is required under the 2019 Maritime Boundary Treaty.

The countries and company are trying to conclude a governance and legal framework this year, which also takes in a petroleum mining code, tax and royalties, custom rules and emergency management.

"Woodside understands the broader interest in selecting a preferred development concept for Sunrise, but agreeing the PSC terms is the critical step in unlocking the ability to review development options," a Woodside spokeswoman said.

"We understand and respect Timor-Leste's desire to process Sunrise gas in Timor-Leste, however, any development plan will need to be assessed against the criteria established in the Maritime Boundary Treaty."

Meanwhile, Mr Albanese said he was unaware of any attempts to organise a meeting with Chinese President Xi Jinping on the sidelines of upcoming leaders' summits after Chinese ambassador to Australia Xiao Qian told the ABC's *7.30* he would like to see a meeting happen without preconditions.

"It's a good thing if there is dialogue, and certainly, if such a meeting took place I would welcome it as I welcome dialogue with leaders throughout the region and throughout the globe," Mr Albanese said.

Unofficial English translation follows on page 3

PR timorense reconhece complexidade de projeto de processamento de gás natural

Darwin, Austrália, 10 set 2022 (Lusa) – O Presidente timorense reconheceu hoje a complexidade de um eventual projeto de processamento de gás natural em Timor-Leste, para o poço de Greater Sunrise, apontando, porém, os enormes potenciais benefícios do investimento.

José Ramos-Horta, que está na reta final de uma visita de Estado à Austrália, falava à Lusa depois de uma passagem pela Darwin GNL (Gás Natural Liquefeito), a unidade gerida pela operadora Santos e que processa desde 2006 o gás oriundo do campo de Bayu-Undan, no Mar de Timor – principal fonte de receita para os cofres timorenses desde a independência.

"Este é um local importante para Timor-Leste e revelador da enorme complexidade técnica, de engenharia, de segurança. Mais de mil milhões de dólares [praticamente o mesmo em euros] para estas infraestruturas, a que se soma o gasoduto", disse.

"Tudo me preocupa, obviamente, porque estamos a lidar com alta tecnologia, meio ambiente, natureza, numa região do mundo sísmica, perto do Anel de Fogo e são tudo coisas imprevisíveis. E contra surpresas da natureza não há defesa possível", explicou Ramos-Horta.

Richard Hinkley, da Santos, explicou aos jornalistas que, desde que começou a funcionar, o campo de Bayu-Undam representou receitas de 21 mil milhões de dólares (20,9 mil milhões de euros) para Timor-Leste, dando emprego a mais de 500 timorenses.

Na reta final de vida como campo de exploração, o Bayu-Undan deverá deixar de produzir em 2023, ganhando mais um ano devido a um investimento de 200 milhões de dólares (199 milhões de euros) feitos pela Santos em 2021.

"Quando a produção chegar ao fim da vida será levado do Bayu-Undan para a zona de Tibar, em Timor-Leste, um navio que é uma estrutura de armazenamento offshore, e que vai ser desmantelado, com um custo de cerca de 100 milhões de dólares" (99,6 milhões de euros), referiu Hinkley.

Ramos-Horta notou que, comparativamente ao Bayu Undan, o Greater Sunrise será de muito maior dimensão.

"Imaginemos isto em Beaço, ou Natarbora [no sul de Timor-Leste] e talvez ainda de maior dimensão do que este, e o que pode trazer para Timor, em termos de benefícios. 50 mil milhões [de dólares (49,8 mil milhões de euros)] só da venda do gás e outros tanto que resultam de indústrias secundárias que resultam desta", referiu.

"Mas ficamos também no nosso solo com todo este equipamento que algum dia ali ficará, sem funcionar, porque o gás, como tudo, é finito", disse Ramos-Horta, notando ainda a transição para as renováveis.

Hinkley deu conta da nova fase de vida do projeto que se vai tornar, explicou "no maior projeto de captura de carbono da Ásia-Pacífico, com a previsão de que possa, a partir de 2024, atingir uma capacidade de injeção de 10 milhões de toneladas de carbono no espaço do poço outrora ocupado pelo gás natural.

Para isso, explicou, a Santos já concluiu a fase de regulamentação esperando concluir n próximo ano a fase de decisão final sobre o investimento, momento que formaliza a decisão do investidor de avançar com o projeto.

“Temos aqui as bases para o que pode ser a maior unidade de armazenamento de carbono. Daqui a três anos teremos uma unidade idêntica à atual, com um gasoduto paralelo até Bayu-Undan, para armazenar carbono”, disse Hinkley, notando que a procura nesta área é hoje muito maior do que a oferta.

“Inicialmente vamos começar com dois milhões de toneladas por ano, mas podemos aumentar até aos 10 milhões e quando isso ocorrer será o maior do mundo, criando grandes oportunidades para Timor-Leste que se tornaria assim líder mundial em captura de carbono”, frisou.

A visita de Ramos-Horta a Camberra ocorre numa altura em que se intensifica o debate sobre o futuro desenvolvimento do projeto do Greater Sunrise, que está há anos parado devido ao diferendo entre os dois países sobre o modelo de desenvolvimento.

A posição australiana defende um gasoduto até Darwin – que se ligaria ao projeto do Darwin GNL - enquanto Timor-Leste, que tem posição maioritária no consórcio do projeto, insiste num gasoduto para o país.

Timor-Leste detém 56,6% do Greater Sunrise, localizado a 150 quilómetros (KM) a sudeste do país e a 450 km a noroeste de Darwin, em parceria com Woodside (34,44%) e a Osaka Gas (10%).

Na semana passada, numa curta visita de 24 horas a Díli, a chefe da diplomacia australiana, Penny Wong, disse que é preciso “desemperrar” o desenvolvimento do projeto dos campos de gás de Greater Sunrise, considerando-o extremamente importante para a resiliência económica de Timor-Leste.

“É importante reconhecer que os parceiros do consórcio [do Greater Sunrise] - a Timor Gap, a Woodside e a Osaka Gas têm que chegar a acordo para o projeto avançar e isso ainda não ocorreu”, disse Penny Wong em Díli.

“Isto está emperrado há muitos anos. Disse ao Presidente [timorense] e a outros que temos que o desemperrar, ver uma forma para resolver isto. Mas a melhor forma de resolver isso, respeitosamente, não é através dos 'media'”, afirmou na altura.

A chegada ao poder dos trabalhistas na Austrália – onde governam desde maio com maioria absoluta – poderá representar um novo ímpeto à solução do problema que é crucial para Timor-Leste que enfrenta, possivelmente dentro de apenas uma década, o fim da sua atual principal fonte de financiamento, o Fundo Petrolífero.

Ramos-Horta espera, por isso, que a visita a Camberra possa permitir avançar com o projeto, tendo já ameaçado que, se a Austrália se mantiver intransigente, e num curto espaço de tempo, Timor-Leste poderá procurar outros parceiros, sejam a vizinha Indonésia, a Coreia do Sul, Japão ou a China.

ASP // VQ Lusa/Fim

Timorese President recognizes complexity of natural gas processing project

Darwin, Australia, 10 Sept 2022 (Lusa) – The Timorese President today acknowledged the complexity of a potential natural gas processing project in Timor-Leste for the Greater Sunrise well, pointing out however the enormous potential benefits of the investment.

José Ramos-Horta, who is on the final stretch of a state visit to Australia, spoke to Lusa after a trip through Darwin LNG (Liquid Natural Gas), the unit managed by operator Santos and has been processing gas from the Bayu-Undan field since 2006, in the Timor Sea – the main source of income for Timorese coffers since independence.

"This is an important site for Timor-Leste and revealing the enormous technical, engineering, security complexity." More than a billion dollars for this infrastructure, which adds up to the pipeline," he said.

"Everything worries me, obviously, because we're dealing with high technology, environment, nature, in a seismic region of the world, close to the Ring of Fire, and they're all unpredictable." And against surprises of nature there is no possible defense," explained Ramos-Horta.

Richard Hinkley, of Santos, explained to journalists that, since it started operating, the Bayu-Undan field has provided revenues of $21 billion to Timor-Leste, giving jobs to more than 500 Timorese.

On the final stretch of life as an exploration field, Bayu-Undan is set to stop producing in 2023, gaining another year due to a $200 million investment made by Santos in 2021.

"When production reaches the end of its life it will be taken from Bayu-Undan to the Tibar area in Timor-Leste, a ship that is an offshore storage structure, and will be dismantled, at a cost of about $100 million", said Hinkley.

Ramos-Horta noted that Greater Sunrise will be much larger in comparison to Bayu-Undan

"Imagine this in Beaco, or Natarbora [in Southern Timor-Leste and perhaps even larger scale than this, and what it can bring to Timor, in terms of benefits. $50 billion alone from the sale of gas and so much more resulting from secondary industries that result from this," he said.

"But we also stay on our soil with all this equipment that will someday be there, not working, because gas, like everything else, is finite," said Ramos-Horta, noting the transition to renewables.

Hinkley accounted for the new life phase of the project it will become, explaining "in Asia-Pacific's largest carbon capture project, projected to reach an injection capacity of 10 million tonnes of carbon by 2024 bono in the undersea space once occupied by natural gas.

For this, he explained, Santos has already completed the regulatory phase hoping to complete next year the final decision phase on the investment, a moment that formalizes the investor's decision to move forward with the project.

"Here we have the groundwork for what could be the largest carbon storage unit. Three years from now we will have a unit identical to today, with a parallel gas pipeline to Bayu-Undan, to store carbon," Hinkley said, noting that demand in the area is today much greater than the supply.

"Initially we will start with two million tonnes per year, but we can increase to 10 million and when this happens it will be the biggest in the world, creating great opportunities for Timor-Leste which would thus become a world leader in carbon capture," he stressed.

Ramos-Horta's visit to Canberra comes at a time of intensified debate over the future development of the Greater Sunrise project, which has been stalled for years due to the difference between the two countries on the development model.

The Australian position defends a pipeline to Darwin – which would be tied to the Darwin LNG project – while Timor-Leste, which has a majority position in the project consortium, insists on a pipeline to the country.

Timor-Leste owns 56.6% of Greater Sunrise, located 150 km southeast of the country and 450 km northwest of Darwin, in partnership with Woodside (34.44%) and Osaka Gas (10%)

Last week, on a short 24-hour visit to Dili, Australian diplomacy chief Penny Wong said the development of the Greater Sunrise gas field project needs to be “unraveled” as it is extremely important to the economic resilience of Timor-Leste

“It’s important to acknowledge that the consortium partners [of Greater Sunrise] - Timor Gap, Woodside and Osaka Gas have to come to an agreement for the project to move forward and that hasn’t happened yet,” Penny Wong said in Delhi.

“This has been locked up for many years. I told the [Timorese] President and others that we have to unleash it, find a way to solve this. But the best way to address this, respectfully, is not through the 'media'”, she said at the time.

Labour's coming to power in Australia – where they have ruled with an absolute majority since May – could represent a fresh impetus for solving the problem that is crucial to Timor-Leste facing, possibly within just a decade, the end of its current main source of funding, the Petroleum Fund.

Ramos-Horta hopes, therefore, that the visit to Canberra can allow progress with the project, having already threatened that, if Australia remains uncompromising, and in a short period of time, Timor-Leste may look for other partners, such as its neighbour Indonesia, South Korea, Japan or China.

ASP // VQ

Greater Sunrise: Can Timor-Leste play the "China card"?

TEESTA PRAKASH JACK SATO
ALEXANDRE DAYANT

Beijing is a minor player in development finance for Dili – but it's a different story with state-owned enterprises.

Fuel storage tanks stand in Suai, Timor-Leste, part of the southern region the country hopes to develop as an industrial zone (Dimas Ardian/Bloomberg via Getty Images)

Published 4 Oct 2022

Ahead of a visit to Australia last month, Timor-Leste's President Jose Ramos Horta sought to play the China card, raising the possibility of asking Beijing to finance the Greater Sunrise gas project in the Timor Sea. This project has been central to the rather tenuous Australia-Timor-Leste economic relationship for well over a decade after Timor-Leste first expressed its hesitations about plans to pipe gas to Darwin, instead preferred to develop the Tasi Mane industrial zone on Timor-Leste's southern coast.

How credible is Horta's "threat" and how likely is it that China will step in to finance this project?

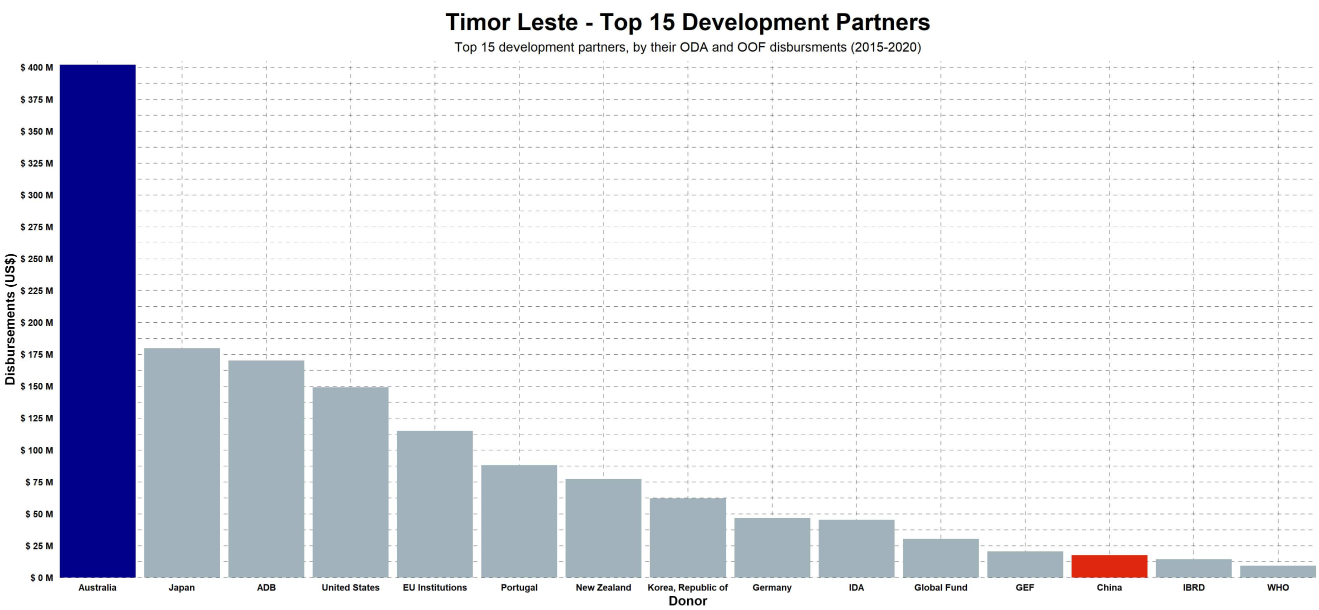
We have been comparing Chinese development finance in Timor-Leste to that of traditional development partners. It would seem unlikely that China would finance this project but with a strong caveat. China does have commercial interest in Timor Leste, where its state-owned enterprises are investing in major connectivity and energy infrastructure projects – this does add some credibility to Horta's claims.

> **There is an uneasy tension between good economics and good geo-economics.**

As far as development finance is concerned, our preliminary findings suggest that China is a minor donor as aid and development finance partner to Timor-Leste. Compared to other development partners, Chinese aid projects, that we define as being supported by China's largest policy banks or the government itself, accounts for one per cent of total development finance flows to the country, making China the 13th largest donor in Timor-Leste.

In contrast, Australia remains the largest aid donor to Timor-Leste based on actually disbursed aid. In fact, Australia provides more aid than the next two biggest donors (Japan and the United States) combined. Australia far outstrips China when it comes to aid and development financing in Timor-Leste in almost every sector, as China mainly provides in the health and education sectors. Australia's Foreign Minister Penny Wong has pushed back on Horta's requests related to Greater Sunrise as she maintains that Australia wants to push for an economically resilient Timor-Leste through Australia's aid program in the country.

However, plainly outspending China does not necessarily make Australia the winner in this geo-economic competition. Questions remain about the political salience of Australia's aid – while it is focused on human development, it is not fulfilling the energy infrastructure needs that would earn Canberra political currency in Dili.



China's aid and development finance flows to Timor-Leste seems unlikely to increase dramatically given the economic slowdown and the financial difficulties it faces at home.

China's commercial interest in Timor-Leste, however, does add some credibility to Horta's claims. China's state-owned enterprises are financing three major connectivity and energy infrastructure projects - Suai Highway, Tibar Deep Sea Port and Timor-Leste State Grid. While not supported directly by the Chinese government or its policy banks, these projects do highlight China's commercial interest in Timor-Leste. Such investments do raise the question about the blurred lines between Chinese development finance and the commercial activities of Chinese state-owned enterprises. While these projects are not financed by the government or policy banks, they are connected to Tasi Mane, which would not be viable if the Greater Sunrise project is not built.

This does provide further context to Horta's talk about asking China for funding, noting also that in 2019 Timor-Leste's state-owned gas company rejected reports of seeking a $16 billion commercial loan from China's Export-Import Bank (EXIM) – the leading financier of China's aid and development finance in Southeast Asia – to finance the Greater Sunrise project.

The key dividing issue is the commercial viability of building the processing plant in Darwin, which is what commercial venture partner Woodside is insisting, whereas Horta is adamant that the plant be built in Timor-Leste. Feasibility studies that had stated it would cheaper to construct the plant in Darwin have now been contrasted by more recent findings that reportedly assess operating costs for the plant in Timor Leste would be $1.3 billion cheaper than in Darwin.

There is an uneasy tension between good economics and good geo-economics. Understandably, Australia has, so far, been non-committal given the commercial questions and risks involved. Similarly, China would also have to do a cost-benefit analysis of funding such a huge project amid its domestic economic and political turmoil. Would the risks outweigh the influence Beijing could obtain from signing on for this project? In a fashion, Australia and China find themselves in a similar position in calculating how to respond to Horta's request for financial assistance.