

The \$50 billion gas deal Australia hopes will keep China quiet

By Andrew Probyn in the Age and SMH, 2 June 2024

The news

Australia is offering Timor-Leste a multibillion-dollar lifeline to fast-track the Greater Sunrise offshore gas project, which promises generational wealth for the fledgling nation while keeping Beijing at bay.



Timor-Leste Prime Minister Xanana Gusmao with his Australian counterpart, Anthony Albanese. *Credit: AP*

Australia has offered Prime Minister Xanana Gusmao's government a sizeable package of incentives that would effectively give Timor-Leste 90 per cent of revenue from the project.

Senior diplomatic and government sources say ensuring the development of the long-stalled [Greater Sunrise field](#), 450 kilometres north-west of Darwin and 150 kilometres south of Timor-Leste, is one of the Albanese government's top strategic priorities.

"We don't want Timor to become another Solomons," one high-level political source told this masthead.

Why it matters

Timor-Leste has forged closer relations with China, with Gusmao signing a strategic partnership with President Xi Jinping in September.



Former Victorian premier Steve Bracks is negotiating the deal with Timor-Leste on behalf of the federal government. *Credit: Jessica Shapiro*

The offer includes a dedicated infrastructure fund, financed by Australia's share of the gas revenues, and an acceleration of the Pacific Australia Labour Mobility (PALM) program that would see more Timorese come to Australia for work and training.

Foreign Minister Penny Wong's handpicked negotiator, former Victorian premier Steve Bracks, confirmed a "significant offer" had been made.

"It shows the determination of the Australian government to get this project up because we believe it's in the best interests of Timor-Leste and its people for this project to proceed," Bracks said.

'We don't want to push [Timor-Leste] to the extent that they need to even think of going to China.'

-- *Australian government negotiator Steve Bracks*

He said Australia wanted Timor-Leste to view it as the international "trusted partner".

"We don't want to push them to the extent that they need to even think of going to China."

The \$50 billion question

But the unresolved issue is where gas from the Greater Sunrise reserve would be piped and processed.

Caption: Timor-Leste hopes for the gas to be shipped to and processed in Darwin. (sic)
Credit: Dominic Lorrimer

Under a 2018 treaty between the nations signed in New York, if the gas field is processed in Timor-Leste, Australia would receive 30 per cent of the revenues and Timor 70 per cent.

But if the gas is instead piped to Australia and processed at an already existing LNG processing plant in Darwin, the Timorese share would increase to 80 per cent, with Australia receiving 20 per cent.

This treaty was reached after Timor walked from an earlier agreement when it became known that Australian spies had bugged the Timorese parliament to get the upper hand in negotiations two decades ago.

There is up to \$50 billion worth of gas in the Greater Sunrise field.

How would either proposal work?

Gusmao's preference is to process the gas on the southern Timorese coast, believing the industrial and job opportunities would outweigh the extra revenue from the Darwin alternative.

"We don't want a pipeline for the sake of a pipeline," Timorese President Jose Ramos-Horta told this masthead.

"A pipeline coming to Timor-Leste would power the diversification ... the industrialisation, modernisation of our economy."

But many analysts and oil and gas experts believe the Timor option is commercially unviable and the project will remain unfulfilled unless the gas is processed in Darwin.

As a potential sweetener, Timor-Leste would potentially be offered an equity stake in the Northern Territory gas facility.

Ramos-Horta said he believed that compared to the "stratospheric" cost of Australian labour and tax imposts, the Timor option would be no more expensive.

"I'm personally ready to read the paper and if it is persuasive enough, if it is tempting enough, if it's really going to prove beyond any doubt that this is the best option for Timor-Leste I'm sure the government would consider it," he said.

Steve Bracks said: "We don't know yet whether it would be viable for [Greater Sunrise] to be undertaken in Timor-Leste."

"It very well could be and if that's the case, well then all the support that we can give in Australia will be given to this project to get this project done."

There is growing urgency in Timor to establish the project, which would have a 30-year life. Timor's most valuable oil and gas field Bayu-Udan has been exhausted, leaving it with no petroleum revenue.

As an extra incentive, Australia has pledged to consider using Bayu-Udan for carbon capture and storage of greenhouse gases emitted from Darwin processing. That would be another source of funding for Timor-Leste.

So, what about China?

Ramos-Horta said Australia should not worry about Timor's relationship with China, saying Beijing was "just an economic trade competitor".

"I have had conversations with the Chinese for many, many years. They are very sensitive, not wanting to make the Australians or Americans perceive, suspect that they have some ulterior motives in Timor-Leste," Ramos-Horta said.

"So there is no reason for Australia, the US to always pick on China as if China is going to take over the world. China might want to have world dominance in technology, in trade, but not necessarily in subduing, dominating countries."

Andrew Probyn is national affairs editor of Nine News.