

East Timor playing high-stakes gas game



East Timor is not open to shipping Greater Sunrise gas to Darwin LNG in northern Australia. (ConocoPhillips)

Damon Evans / Dili

EAST TIMOR APPEARS to be gambling its future by stalling the development of the Woodside-operated Greater Sunrise fields that straddle the waters off its coast and those of Australia.

The development of the fields in the Timor Sea, which contain more than 142 billion cubic metres of estimated gas reserves, has been on hold for years. Initially, Dili stonewalled Woodside's proposed FLNG concept for Greater Sunrise, and since 2013 it has attempted to invalidate the Treaty of Certain Maritime Arrangements in the Timor Sea (CMATS), signed in 2006, which governs the project's development. East Timor alleges Australia carried out espionage during 2004

and did not negotiate the treaty in good faith.

The main thrust of the Southeast Asian country's strategic development centres around plans for an onshore LNG plant supplied by Greater Sunrise. This would be the centerpiece for a petroleum corridor, known as Tasi Mane, which would include a port, fabrication yards and an offshore supply base, as well as a refining and petrochemicals complex.

But piping the gas 286 km across the Timor Trench, which reaches depths of more than 2,800 metres, to the country's southern shores is technically challenging and fraught with risk, Marc Moszkowski, a senior engineer at United States-based DeepGulf, which carried

out a bathymetric survey of the route, told *Interfax Natural Gas Daily*. Moszkowski has also advised the government that the risks would be huge and that building the onshore plant – particularly at the proposed site in Beaco – would be thoroughly unreasonable.

Alternative options?

East Timor's Energy Minister Alfredo Pires told *Interfax Natural Gas Daily* the current government is not open to alternative development options, which could include piping the gas to the ConocoPhillips-operated Darwin LNG plant in northern Australia.

The US major pumps gas from its Bayu-Undan project – East Timor's only producing field – to Darwin. Bayu-Undan will be exhausted sometime between 2020 and 2022, according to ConocoPhillips estimates. As production runs down, there will be spare capacity for other gas to backfill Darwin LNG. ConocoPhillips – also a partner in Greater Sunrise – told *Interfax Natural Gas Daily* it is open to any potential future gas sources if they are consistent with the backfill timeline.

Peter Strachan, a Perth-based independent oil and gas analyst, estimates at least \$16 billion will need to be invested to develop Greater Sunrise. However, it would probably only cost \$4 billion to develop the resource if the gas was used to backfill an existing LNG facility, he told *Interfax Natural Gas Daily*.

Estimates from Dili-based independent thinktank La'o Hamutuk show the

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government has already spent millions of dollars, as well as immense political capital, on developing its proposed Tasi Mane scheme, which is predicated on bringing Greater Sunrise gas to its shores. "My guess is that total Tasi-Mane expenditures to date are between \$120 million and \$200 million [...] but there is not a lot of transparency," Charlie Scheiner, an analyst at La'o Hamutuk, told *Interfax Natural Gas Daily*.

Most of East Timor's limited resources have been channelled towards invalidating CMATS and pursuing the maritime boundaries that it hopes will give it control of Greater Sunrise, rather than focusing on building a diversified and sustainable economy.

Under CMATS, the windfall from the hydrocarbon bonanza would be split 50/50 between Australia and East Timor, despite some 80% of the resource lying in Australia's seabed. Crucially, the treaty put a 50-year moratorium on the discussion of permanent maritime boundaries, which had been delineated by the joint petroleum development area in the Timor Sea Treaty of 2003.

But East Timor has pushed Australia into non-binding talks under a UN Compulsory Conciliation Commission – a dispute resolution mechanism under the UN Convention on Law of the Sea – over

maritime borders. The chairman of the commission was appointed at the end of June. Australia disputes the legality of the process given the moratorium on boundary talks.

Nevertheless, East Timor's latest gambit could backfire. It claims maritime boundaries should be drawn under international norms used today – in this case, equidistance or median lines. But as Stephen Grenville, an expert on international policy, highlights in an article for *The Lowy Interpreter*, if boundaries are determined this way most of the Greater Sunrise fields would belong to Indonesia. Independent technical and legal analysis on hydrographer.org supports this. If East Timor can successfully reopen boundary negotiations, there is no reason Indonesia's nationalist government should not do the same, suggests Grenville.

But it does not appear Dili will take the pragmatic route. "If anything, over the past few years the Timorese government has abandoned the pragmatic realist approach that was adopted by former Foreign Minister Jose Ramos-Horta when he signed the CMATS agreement," Rebecca Strating, an expert in Southeast Asian politics at La Trobe University in Australia, told *Interfax Natural Gas Daily*. ■

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	Closing date	Close	High	Low	% change
Brent Crude , \$/bbl	19 Jul	46.66	47.49	46.53	-0.64
WTI Crude , \$/bbl	19 Jul	44.65	45.67	44.53	-1.30
Henry Hub , \$/MMBtu	19 Jul	2.73	2.79	2.71	0.22
NBP , p/th	19 Jul	34.52	34.56	33.70	2.71
TTF , €/MWh	19 Jul	14.41	14.43	14.30	0.87
Gaspool , €/MWh	19 Jul	14.51	–	–	0.86
NCG , €/MWh	19 Jul	14.45	–	–	0.63
Central Appalachian Coal , \$/t	19 Jul	39.50	–	–	0.00
Newcastle Coal , \$/t	19 Jul	60.95	–	–	0.16
South China Coal , \$/t	19 Jul	53.90	–	–	0.19

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