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Sunrise gas hopes stirred by Timor-Leste sea border breakthrough

ConocoPhillips' Bayu-Undan gas venture provides a key source of revenue for Timor-Leste.



by **Angela Macdonald-Smith**

An unexpected breakthrough in [the sea boundary dispute between Australia and Timor-Leste](#) has resurrected hopes that Woodside Petroleum will be able to kickstart the stalled development of its \$US13 billion Sunrise LNG project.

An agreement was reached on August 30 between the two nations on "the central elements" of a maritime boundary deal in the Timor Sea, and on a framework for the oversight of the large Greater Sunrise gas resource.

The terms of [the deal, which was announced in Copenhagen late Friday by the Permanent Court of Arbitration](#), remain confidential until it is finalised, which is expected in October.

But the breaking of the stalemate over the division of the lucrative gas resources in the Timor Sea offers fresh hope for progress to develop the Sunrise field's 5.13 trillion cubic feet of gas, which is enhanced by a rich, 226 million barrels of condensates.

Woodside and Sunrise partner ConocoPhillips welcomed the accord, noting it demonstrates good will between both countries.

"We hope that this is the first step towards providing the fiscal and regulatory certainty required to develop Greater Sunrise for the benefit all parties," said a Woodside spokeswoman.

Conoco said it "appears to represent a significant step forward".

The development comes at an important time for [the ageing Conoco-managed Bayu-Undan gas venture, which requires a new source of gas to keep the Darwin LNG plant full.](#)

Bayu-Undan, located in waters jointly overseen by Australia and Timor-Leste, currently provides the bulk of revenues for impoverished Timor-Leste, contributing over \$US18 billion in taxes and other payments into the tiny nation's petroleum fund since 2004.

But those revenues could dry up early next decade unless an alternative gas supply is found and in the absence of Sunrise being developed.

A Conoco spokesman said the company is "confident we will be able to work with both governments to manage any changes, without impact to the Bayu-Undan operations". He noted that Conoco is drilling three additional wells to extend the life of the offshore field from 2020 to 2022, and that the work is supported by "all parties".

The question of settling a permanent boundary was expected to be a lengthy process, with Timor-Leste pushing for a median line that would shift several gas fields into its waters. Australia favoured a boundary at its continental shelf, which would give it the lion's share of the resources.

One industry source suggested a compromise must have been reached.

The uncertain sovereignty over Sunrise has meant that the Sunrise venture, which includes Shell, has had the project on the back-burner for years, investing a minimal amount in licence fees and social projects. [In May, Woodside lumped Sunrise in its "Horizon Three" basket of projects,](#) which are only envisaged for development from

2027.

But a deal that clears away the political clouds over Sunrise might accelerate the timing, one source said pointing to attractiveness of the resource, with its high content of liquids.

"The condensate value alone is huge," the source said. "I think Sunrise is the best undeveloped project around. If it could backfill Darwin it would be even more attractive."

In previous years, Woodside favoured developing Sunrise using floating LNG, while the Timor-Leste government wanted the gas piped across a deep ocean trench for processing on its southern coast.

The Conoco spokesman said that developing Greater Sunrise could "benefit all parties".

"We look forward to working with both nations over coming months to better understand the implications of their agreement," he said.
