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## Sunrise treaty opens door to progress on Woodside Petroleum LNG project



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



by [Angela Macdonald-Smith](#)

A deal struck between the Australian and Timor-Leste governments has opened the door for progress on Woodside Petroleum's long-stalled \$US13 billion Sunrise LNG project but any development still looks years away amid ongoing disagreement on how to develop the large offshore field.

A new treaty on maritime boundaries between the two countries and addressing the "legal status" of the Sunrise gas field is set to be signed on March 6 in New York, according to a statement from the Permanent Court of Arbitration after meetings hosted by the Conciliation Commission concluded on Sunday in Kuala Lumpur.

The meetings followed [an unexpected breakthrough in the long-running sea boundary dispute last September](#). The former Greater Sunrise revenue-sharing deal was [scrapped in January last year](#).

Woodside, the operator of the Sunrise venture, said on Tuesday it hopes the commission's conclusions and the signing of the treaty "will help to provide the fiscal and regulatory certainty required to develop Greater Sunrise for the benefit of all parties".

It stopped short of reiterating support for floating LNG to develop the circa 5.13 trillion cubic feet Sunrise gas resource in the Timor Sea, which Timor-Leste wants to be developed at an onshore processing plant that would be built on its southern coast. The field also holds some 226 million barrels of oil-like condensates, making

development more lucrative.

According to the Court of Arbitration statement, the treaty sets out rules for sharing revenues from Sunrise between the Timor-Leste and Australian governments, with the split to differ depending on which development concept is selected.

The split is understood to be 80:20 in favour of Timor-Leste if offshore processing is selected, and 70:30 in favour of Timor-Leste for an onshore plant in Timor, according to Damien Kingsbury at Deakin University, who specialises on politics and security in southeast Asia.

Professor Kingsbury described the deal as "a critical step forward" given Timor-Leste's fragile budget position, which is essentially dependent on the ageing Bayu-Undan gas field. Bayu-Undan feeds the Darwin LNG plant in northern Australia but output is due to start running down early next decade.

He said he expected the Timor-Leste government to ultimately take the decision on how Sunrise should be developed. But if it sticks to its previous insistence that the LNG plant is built on Timor-Leste, Woodside may decide to exit.

The Sunrise venture, which includes Shell, ConocoPhillips and Osaka Gas, has previously argued that building an onshore LNG plant on Timor-Leste is too risky, given the presence of the deep Timor Trough 40 nautical miles from the coast that a gas pipeline would need to cross.

The development came as [Shell released a bullish new assessment of the LNG market](#), warning of a potential shortfall in supply in the mid-2020s unless commitments to new plants are made soon.

The energy major said global LNG imports grew by 29 million tonnes, or 11 per cent, last year, defying expectations for softer growth and oversupply. Shell is forecasting LNG demand will see a 4 per cent compound annual growth rate through to 2035, concentrated in Asia.

Woodside said that until new arrangements for the Production Sharing Contract at Sunrise are in place, the joint venture will continue to honour its obligations under our existing contracts and retention leases, and continue social investment activities in Timor-Leste. It maintains an office in Dili.

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