

Ramos-Horta hints at thawing relations with Woodside as the new boss impresses

By PAUL GARVEY, The Australian September 23, 2011

EAST Timorese President Jose Ramos-Horta has hinted at thawing relations with Australian oil and gas company Woodside Petroleum, whose new chief executive Peter Coleman left a "positive" impression after his first visit to the fledgling nation.

East Timor has been at loggerheads with Woodside and its joint-venture partners in the Greater Sunrise gas project, which sits between Australia and East Timor, over the partners' plans to develop the resource via a new \$US12 billion floating liquefied natural gas (FLNG) plant.

The East Timorese government wants the partners to process the gas through a proposed onshore LNG plant in East Timor, an option that Woodside and its partners have dismissed as too expensive.

Speaking to reporters after his address to the CLSA Investors Forum in Hong Kong yesterday, Dr Ramos-Horta said negotiations between his country and Woodside remained deadlocked.

But Mr Coleman, who replaced Don Voelte earlier this year, had impressed East Timorese authorities during his first visit to the nation, he said.

"He met with everybody and the impression was very positive," Dr Ramos-Horta, who was travelling at the time of Mr Coleman's visit, said. "He is a man that people can engage with in frank, open discussion. There's no arrogance or dogma. But we have not made any progress in terms of the dispute; the difference of opinion between us and the consortium (remains), and on our side we're extremely worried about the risks of FLNG and the cost."

Although the majority of the Greater Sunrise gas field sits in Australian waters, a portion falls within the Joint Petroleum Development Area signed by the Australian and East Timorese government. East Timor has previously declared it will refuse to approve any development that does not include onshore processing in East Timor.

Woodside and its partners in the project, Royal Dutch Shell and ConocoPhillips, selected the new FLNG option for Greater Sunrise over alternative plans involving processing at Darwin and East Timor after studies found it to be the most commercial option.

A deep ocean trench between the field and East Timor adds significantly to the cost of building an East Timor-based project, with Woodside and its partners previously estimating that option to cost about \$US18bn.

Dr Ramos-Horta said East Timor's studies suggested the onshore processing option would only cost \$US1bn, and would have much less technical risk than the unproven FLNG technology.

He said East Timor's economic development would continue even if Greater Sunrise's development continued to stall.

The plan, which outlined a series of infrastructure projects starting with the \$600 million rollout of diesel-powered electricity across the country already under way, could be fully funded out of the country's existing petroleum revenues, he said.

Dr Ramos-Horta played down the significance of China's growing role in the development of East Timor, stressing that Australia remained the biggest foreign influence in the country.

A Chinese firm is carrying out the installation of the country's electrification, while Dr Ramos-Horta said the country's foreign ministry, presidential office and ministry of defence had all been built by the Chinese.

But he said Chinese investment was far greater in Australia.

"The Chinese are buying everything in Australia," he said.

"There's always some Australian academics who see China's growing influence in Timor Leste (negatively). Sometimes we think they are a bit jealous, that they want all the Chinese investment to go to Australia and not elsewhere."

He said the Chinese had been particularly wary about the possibility of offending Australia and the US when considering investments in East Timor.

"We want more Chinese presence in terms of investment," he said.

"We don't see any problems whatsoever. The Chinese are extremely careful and cautious. They are aware of this talk about the growing Chinese influence in Timor Leste, and they tell us they don't want to upset Australia or the US."

Meanwhile, Dr Ramos-Horta said the country had recently adjusted its laws to allow it to invest a greater portion of its petroleum revenues outside US Treasury bonds.