

East Timor President: Open To Sunrise Talks, Concerns Over Floating LNG

By Chun Han Wong, Dow Jones Newswires May 27, 2011

SINGAPORE (Dow Jones)--East Timor President Jose Ramos-Horta Friday said his country remains “completely open” to talks with a consortium led by Woodside Petroleum Ltd. (WPL.AU) on development of the Greater Sunrise oil and gas field, but is concerned about the companies’ insistence on using “untested technology” for the project.

The tiny southeast Asian nation, highly dependent on its oil and gas resources to fuel its small, developing economy, has been in dispute for years with the consortium over how gas from the Sunrise field, which straddles Australian and East Timorese waters, is to be processed.

“The Greater Sunrise consortium led by Woodside insist on [floating liquefied natural gas technology]...excluding the pipeline option, even though they haven’t persuaded us that [the technology] is technically absolutely safe and commercially viable,” Ramos-Horta said in an interview with Dow Jones Newswires.

East Timor wants gas from the field to be piped to a conventional LNG plant on its coastline, but the Woodside-led consortium prefers a floating facility.

“The [floating LNG] platform would be the biggest and first in the world, so it is untested technology,” Ramos-Horta said, adding that this will likely lead to an exceeding of cost estimates.

“For these reasons, we believe a pipeline to Timor-Leste is the best option technically and commercially,” he said. “I am happy to meet with them myself at any time...we remain completely open to talks, but that includes talking about the pipeline option to Timor Leste.

“Yet when I met with them, they were not able to persuade me, because I didn’t seen any data that was convincing about the advantage of the FLNG over the pipeline,” Ramos-Horta said.

On May 20, Royal Dutch Shell PLC (RDSB) approved construction of the world’s first FLNG vessel, which is designed to chill natural gas for export at sea. From bow to stern, the facility will be 488 meters. When fully equipped and with its storage tanks full, it will weigh around 600,000 metric tons--roughly six times as much as the largest aircraft carrier.

The Sunrise field, discovered over three decades ago, contains an estimated 5.13 trillion cubic feet of natural gas and 225.9 million barrels of condensate. But its location, in a joint petroleum-development area in the Timor Sea between Australia and what is now known officially as Timor-Leste, has frustrated development attempts.

Under a treaty between Australia, East Timor and the Sunrise joint venture participants, Woodside is required to develop the gas field to the best commercial advantage and in line with best oil field practices.

Woodside is the largest shareholder in the Sunrise project with a 33.44% stake. ConocoPhillips (COP) and Shell own 30% and 26.56% respectively, while Japan’s Osaka Gas Co. (9532.TO) has a 10% interest.

“I hope that Woodside and their partners, in the interest of Timor-Leste, Australia and their shareholders, will review their dogmatic preference for [FLNG] and go for what is technically and commercially more viable,” said the president, who was in Singapore to attend an arts event.

“If they don’t want to even discuss the option offered...then we might as well consider the treaty expired, because we aren’t going to have their preferred option pushed down our throat,” he said.

East Timor, a former Portuguese colony which gained independence from Indonesia in 2002, has in recent years struggled to maintain stability and boost living standards for its 1.1 million people. About half the population lives below the poverty line, and many still lack access to quality health services.

Almost all the country’s government budget comes from a petroleum fund--which will hold about \$9 billion by the end of 2011--established with income generated from Bayu Undan, a project operated by ConocoPhillips in the Timor Sea.

Using the pipeline option for the Sunrise field will greatly benefit East Timor’s economic development, Ramos-Horta said.

“The pipeline will facilitate the implementation of our 20-year strategic development plan, to provide energy and jobs to power our economy, and lift us into a upper- and middle-income country,” he said.

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