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Greater Sunrise under threat

Woodside and Timorese deadlocked over development plan; Timor Leste considering terminating pact

STALEMATE between Woodside Petroleum and Timor Leste over the development of the Greater Sunrise LNG project to be "resolved in time", Australian resources minister Martin Ferguson said recently.

One date that may have been in his mind, given the seeming intractability of the problem, is February 2013 – the earliest point at which either side could walk away from a 50-year treaty drawn up to allow the development of the Greater Sunrise field. Terminating the pact – the Treaty on Certain Maritime Arrangements in the Timor Sea – would potentially allow both sides to revamp their strategies.

The treaty became effective in February 2007, but included a clause allowing either side to cancel it after six years – in 2013 – if a development plan has not been approved by then. In March, Francisco da Costa Monteiro, Timor Leste's chief negotiator in talks with Woodside, said that if a compromise over the field's development is not reached soon, the country would consider terminating the treaty.

Timor Leste's negotiators are believed to have been lobbying the Australian government to help break the deadlock in the dispute, but it is reluctant to become embroiled in what it says is a commercial negotiation. "It's an issue I'm paying attention to. I'm not in a hurry. These things will sort themselves out," Ferguson told reporters.

The Greater Sunrise gasfield straddles the disputed maritime border between Australia and Timor Leste and, according to Woodside, holds an estimated 5.13 trillion cubic feet of gas and 226m barrels of condensate. Under the deal governing its exploitation, a shared section – the joint petroleum development area (JPDA) – is to be jointly developed by Australia and Timor Leste. The latter would receive 90% of the royalties from the JPDA, which covers 20% of the field, and half the royalties from the other 80% of the field, which falls under Australian jurisdiction.

The logistics of that agreement effectively make the development of the whole project dependent on co-operation between the two countries. But that remains in short supply, with no agreement in sight over how LNG from the field will be processed.

The Timorese government wants a pipeline built from the field to gas liquefaction plant near Dili, providing jobs and boosting the tiny state's struggling economy. Woodside, which has a 33.4% operating stake in the project, wants to bring the field on stream using a floating LNG facility and says it has the backing of its partners ConocoPhillips (30%), Shell (26.6%) and Osaka Gas (10%) to do so.

Woodside claims piping the gas to Timor Leste – and negotiating a 3 km-deep trench in the seabed between the field and shore makes the pipeline plan not just technically challenging, but also expensive, adding several billion dollars to development costs. The partners have also said that Timor Leste does not yet have the necessary physical and human infrastructure to handle the project.

If the Timorese government does pull out of the deal in February 2013, it might suit both sides. Timor Leste could seek new partners to exploit its portion of the field, while Woodside could end up with a freer hand to exploit the majority of reserves that lie in Australian waters.

But the location of the field, the politics surrounding the disputed border and Timor Leste's need to exploit its reserves with the help of an experienced operator such as Woodside suggest a solution based on the present arrangement may still be desirable.

Indeed, the Timor Leste government may not be looking so much towards 2013, as to a date later this year – yet to be specified – when Don Voelte, Woodside's chief executive for the past seven years, steps down. Timorese negotiators have found Voelte a tough partner to do business with and may be hoping that his successor takes a different approach. **Ian Lewis, London**

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