

East Timor urges action on Sunrise

East Timor has urged the Australian government to intervene in the dispute with Woodside Petroleum over the Sunrise gas field, arguing that it is in Australia's best interest to see the gas developed in East Timor to avoid economic instability and security problems there.

Speaking to The Australian Financial Review after meetings with government officials in Canberra last week Pierre Prosper, a lawyer for the East Timorese government, said East Timor wanted a resolution on Sunrise next year.

Mr Prosper, a Los Angeles-based lawyer for Arent Fox, hinted that the Timorese would look elsewhere for a partner to develop the valuable Timor Sea field if no deal was reached.

Mr Prosper said East Timor wanted to "light a fire" under the stalled Sunrise issue.

"It has gone on for way too long and has remained undeveloped for way too long," Mr Prosper said.

"What we are doing is we are igniting a process to lead to a resolution sooner rather than later."

The Sunrise venture, the Australian and East Timor governments all need to approve the project under the terms of a bilateral treaty on the 5.1 trillion cubic foot gas deposit. Shell, ConocoPhillips and Osaka Gas own stakes in the venture.

But under former Woodside chief executive Don Voelte, relations with East Timor broke down after the venture decided on a floating LNG plant. East Timor, by contrast, wants a pipeline built to a plant on its south coast.

Woodside's current chief executive Peter Coleman has agreed to rework cost estimates for the various options and recently submitted more technical data to the Timorese, while still favouring a floating plant.

A company spokesman said on Wednesday that Woodside had agreed with East Timor on the first of a series of technical workshops to be held on Sunrise and believed there was an opportunity to agree on a plan.

Canberra has, meanwhile, stayed on the sidelines, insisting the decision is a commercial one for the venture.

But Mr Prosper said the Australian government was, in effect, a commercial partner in Sunrise.

Woodside has said an onshore LNG plant in East Timor would cost \$US5 billion more than a floating plant, put at about \$US13 billion.

But Mr Prosper said that “anything is commercially viable” and it was just a matter of “moving monies around the table” to address everyone’s concerns.

“When you are involved in any commercial arrangement you can always work it out so that people will be satisfied economically at the end,” he said.

Under the treaty on Sunrise, an accord is needed on a development plan by February 23, 2013 or the treaty could lapse, opening the door to a maritime boundary dispute.

Mr Prosper agreed the February date was the “elephant in the room”, suggesting East Timor could break off the treaty if no progress was made towards an onshore LNG plant.

Federal Energy and Resources Minister Martin Ferguson said last week the government did not have a preferred development plan for Sunrise but remained committed to working with Timor-Leste to facilitate the project.

“Ideally that will be a non-issue; that is the hope for everyone,” he said.

In the meantime Timor is considering other potential partners to develop Sunrise.

“The reality is that Timor as a sovereign government is forced to look at all of its options and determine the pros and cons of each approach,” he said. “There are a lot of companies that find Timor-Leste attractive.”

Meanwhile, East Timor was continuing to pursue ConocoPhillips, operator of the producing Bayu-Undan gas venture in the Timor Sea, over back taxes, Mr Prosper said.

Conoco has insisted it has paid all taxes owing and is challenging the assessments in the courts. It warns the dispute may hamper its future spending in East Timor, pointing out that investment “depends upon investors’ ability to rely upon the sanctity of their agreements with the government”.

Mr Prosper denied any breach of contract by the East Timorese.

“It’s an issue of interpretation in the law. The government is interpreting the law one way, obviously Conoco is interpreting it a different way, and it is something that will need to be resolved.”