

Woodside backs away from floating LNG: E. Timor

By Angela Macdonald-Smith, Australian Financial Review, 25 April 2013

The East Timor government says Woodside Petroleum is unwilling to use floating LNG technology to develop the Sunrise gas project in the Timor Sea and is considering developing an onshore plant in Timor.

East Timor government spokesman Agio Pereira said the risks surrounding the commercially unproven technology were too high for any government to “responsibly sign off” on the use of the process. He indicated Woodside was coming to a similar conclusion and that the company had revived consideration of developing the Sunrise resource through an onshore plant in East Timor.

“I believe they have come to the conclusion that FLNG is simply not an option for Greater Sunrise,” Mr Pereira told The Australian Financial Review. “Woodside is working with us and looking at the TLNG [Timor LNG] closely.”

A spokeswoman for Woodside said there was “a window of opportunity” to agree on the Sunrise development during 2013. “Through ongoing dialogue, we believe there is an opportunity to agree on a development which satisfies the key requirements of all parties.”

Woodside has a new team working to break the deadlock on Sunrise that developed under former chief executive Don Voelte.

Build on dialogue

Addressing shareholders at Woodside’s annual general meeting in Perth on Wednesday, chairman Michael Chaney was diplomatic, noting the venture’s engagement with both the East Timor and Australian governments on Sunrise.

“We shall continue to build on dialogue with both governments to reach agreement on a development which satisfies the requirements of all parties,” Mr Chaney said.

The venture, which includes FLNG pioneer Shell, ConocoPhillips and Osaka Gas, decided several years ago that a floating plant was the best way to commercialise Sunrise gas. But the project needs clearance from both the governments of Australia and East Timor and the latter wants an onshore plant built on its southern coast.

Shell is building what may be the world’s first floating LNG plant at its Prelude field in the Browse Basin. Others are also considering using the new process, including the ExxonMobil/BHP Billiton Scarborough project, and Woodside’s Browse LNG venture.

“Everything in the market indicates that FLNG is getting more accepted,” said a source close to the Sunrise venture, who questioned the line that Woodside was moving away from FLNG for Sunrise.

Woodside has said building a plant in East Timor would cost \$US5 billion more than a floating plant.

Technology doesn’t exist

After Woodside shelved the James Price Point plan for Browse LNG two weeks ago, Shell Australia chair Ann Pickard was quick to point out the oil major’s belief that FLNG is “the fastest, most economic and the best technical solution” for the project.

But Mr Pereira called that into question. “Our research tells us that indeed this statement as applied to any field can be neither qualified nor quantified given that the technology does not exist as of yet,” he said.

“No government in our position could responsibly sign off on FLNG. The identified risks and potential cost overruns are far too great with technical viability far too uncertain.”

The East Timor government has been keenly pursuing its onshore Timor option for Sunrise and earlier this week announced an agreement securing over 1100 hectares of land on the south coast for a supply base. It said the local people had released the land for the base and would be compensated through a 10 per cent share of profit.

But the East Timor Law and Justice Bulletin, an internet news service about legal issues in the country, suggested that judging by a previous instance of acquisition of community land where the military and police were mobilised to quell local opposition, the local people would have had little choice but to surrender their land and had little hope of just compensation.