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Woodside considers onshore Timor option for Sunrise

Alfredo Pires says the option, while 'still at the concept level', is a 'good sign' for breaking the stalemate over the development of Sunrise gas. **Photo: Reuters**

By Angela Macdonald-Smith, 10 December 2013

Woodside Petroleum has outlined an option to the Timor-Leste authorities for the onshore development in Timor of gas from the Sunrise field, according to petroleum and mineral resources minister Alfredo Pires.

The option, while "still at the concept level", is a "good sign" for breaking the stalemate over the development of Sunrise gas, Mr Pires told *The Australian Financial Review* on Monday.

Woodside and its partners in Sunrise have long favoured a floating LNG project as the best way to develop the field, which lies in waters jointly managed by Australia and Timor-Leste.

But Timor-Leste insists an onshore LNG project on its soil is the best way to create jobs and foster development.

"It is very difficult for us to buy into other options," Mr Pires said.

The details of Woodside's onshore option for Sunrise remain unclear. It could involve bringing only some gas to Timor to assist with industrial development in the fledgling nation, rather than building an LNG plant there.

It does, however, indicate Woodside's willingness under chief executive Peter Coleman to reconsider the possibility of onshore Timor development of Sunrise gas, an option ruled out under his predecessor, Don Voelte.

"With Don Voelte, if the Timor option did come up, it was the eliminated one," Mr Pires said in Sydney. "Don Voelte was a hard man."

Mr Pires cast doubt on Woodside's estimates for both floating LNG and onshore LNG in Timor, taking issue with the company's estimate of several years ago that an onshore plant would cost $US5 billion ($5.5 billion) more than floating LNG. Mr Pires said preliminary design work carried out for the government on onshore Timor LNG put the cost of a project at $US13 billion.

He said estimates of $US12 billion for floating LNG were not realistic given the unproven nature of the process, with the result that onshore Timor would actually be cheaper.

The Timor-Leste government would also fund the $800 million cost of the pipeline that would take gas to its southern coast, Mr Pires said.

Concerns cited about the reluctance of LNG buyers to commit to long-term contracts if the Sunrise plant was built in Timor-Leste also weren't valid, as Korea Gas Corporation had agreed in principle to buy the gas, he added.

'Stable environment'

Discussion around Sunrise is continuing despite the legal dispute between Timor-Leste and Australia over a revenue-sharing treaty that has reached The Hague. Timor-Leste is arguing the treaty is invalid because Australia engaged in espionage during the negotiations in 2004-05.

Mr Pires said the legal case was aimed at creating a "stable environment" that gave companies more confidence in investing in Timor-Leste.

Woodside's thinking on Sunrise is set to get an airing in an investor briefing on Tuesday. Mr Coleman will also be quizzed on the latest developments on Woodside's planned $US1.25 billion investment in the Leviathan gas field in Israel, which has run into trouble.

Deutsche Bank said the emergence of gas pipeline exports as a realistic option for Leviathan gas, rather than LNG, meant the deal has gone "back to the drawing board". It said Woodside could exit the venture.