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It's Tiny, Poor, And Very Possibly Not Going To Take It Anymore

By Hamish McDonald

March 28, 2013

A temporary treaty fix — designed to unlock a huge gas field for Woodside Petroleum — has expired. This could unravel decades of Australia's scheming both with its tiny new neighbour Timor-Leste and its largest, Indonesia.

ONE JANUARY DAY JUST OVER SIX YEARS AGO, THE THEN PRIME MINISTER OF AUSTRALIA, JOHN Howard, and his foreign minister, Alexander Downer, changed out of their summer-holiday clothes and put on suits to meet their counterparts from the small neighbouring state of Timor-Leste, Mari Alkatiri and Jose Ramos Horta.

The venue was the cabinet room of the Commonwealth Government Offices in Phillip Street, Sydney's legal precinct of courts and barristers' chambers, and the occasion was a moment of great legal import: the two nations committed themselves to a solemn treaty, with some \$40 billion in potential government revenue at stake.

It marked the end of several years of sometimes bitter negotiations stretching back before Timor-Leste became an independent nation (http://travel.state.gov/travel/cis_pa_tw/cis/cis_1105.html) in May 2002 — that hard-won freedom arrived at only after five centuries of Portuguese colonial rule, a quarter century of Indonesian occupation, and a three-year United Nations interregnum.

The treaty (http://www.dfat.gov.au/geo/timor-leste/fs_maritime_arrangements.html) on "Certain Maritime Arrangements in the Timor Sea" was hailed as a "win-win" kind of compromise by the Australian side and at least some of the Timorese, notably Ramos Horta. It conceded Timor-Leste 50 per cent of the billions of dollars in revenues that were expected to flow from a giant natural gas deposit under the seabed between the two countries. The submerged field is known as Greater Sunrise, and a consortium led by Australia's Woodside Petroleum company was keen to develop it.

The 50-50 deal was presented as a great act of generosity by Howard and Downer. How so? The seabed borders Canberra had negotiated with the previous Indonesian rulers of eastern Timor island saw 80 per cent of the Greater Sunrise field located in Australia's exclusive resources zone, and only 20 per cent in a joint-development zone where revenues would be shared with Timor-Leste.

For the Timorese, the downside of CMATS, as the treaty quickly became known, was that for their 50 per cent they were

required to set aside for 50 years their argument that the borders Australia had agreed to with the Indonesians were unfair and illegal in the eyes of much of the rest of the world.

Under contemporary maritime law (<http://www.laohamutuk.org/Oil/Sunrise/2011/PetEconSunriseOct2011.pdf>), many experts believed, the boundary would be revised to put most of Greater Sunrise – and several other Timor Sea oil fields – entirely within Timor-Leste's offshore resources zone. But here was the hitch: Downer had announced, two months before Timor Leste's joyous deliverance into independence, that Australia had withdrawn from the jurisdiction of international courts on maritime boundary issues. The Australian government just decided it wasn't going to be a part of that legal system anymore.

So the offer to the Timorese was: take the Greater Sunrise billions now, or see the gas field lie undeveloped while you try to engage, perhaps for decades, with an Australia that might refuse to budge or agree to go to an umpire.

It was an edgy signing ceremony. The economics journalist Paul Cleary, who had worked with the Timorese government's negotiating team, recounts that when Alkatiri spoke of his hope that the Greater Sunrise gas could be piped to Timor-Leste and processed there, Howard's body-language expressed extreme discomfort. The ceremony over, the members of the Timorese delegation were ushered to the door, to make their way back to the Wentworth Hotel, where they opened a bottle of champagne on their own. The next day Alkatiri returned to his little capital Dili, and there was no Australian official to give him the customary VIP treatment at the airport.

The CMATS treaty came into force on February 23, 2007, after being ratified in both countries. But it had a buried escape clause.

That is, if the Greater Sunrise project had not been launched within six years, either party could give three months' notice (<http://www.laohamutuk.org/Oil/Boundary/CMATSindex.htm>) that it was terminated.

It was expected that, long before then, Timor-Leste and Woodside would resolve the issue that had caused the frisson between Howard and Alkatiri – whether the gas should be piped to Timor-Leste and liquefied there for export in cryogenic tankers. As it was, soon after the treaty was signed, Alkatiri lost power in an outbreak of fighting between his government's army and police, and fresh elections saw the more conciliatory former president, Rala Xanana Gusmao, become prime minister.

But no project has yet begun in the Greater Sunrise field.

Early this year, the two parties still hadn't reached any agreement, and on February 23, the point was reached at which Timor-Leste could pull out of the deal if it wished to do so.

Lately there has been a flurry of anxious visits to Dili – by Australia's then resources minister Martin Ferguson in mid-February, and, in the second week of March, by senior federal government officials.

While Timor-Leste is gambling on making more gains from a project many see as vital to its transition from extreme poverty, Australia is a concerned about a wild card.

That is, should the Timorese overplay their hand and cause Woodside to walk away and focus on other projects, they might consider they have nothing further to lose by ending the treaty and demanding negotiations on a permanent seabed border.

This may then spark agitation in Indonesia for revision of its maritime boundary treaty with Australia, which was signed in 1972 under the same principles that the Timorese and their supporters now say are unfair and out-moded. Disputing the side boundaries of the Timor Sea zone between Timor-Leste and Australia would involve Indonesia as a third party in any case: if these areas were to be renegotiated, why not the whole seabed border?

This may seem a remote contingency now, but it is being raised among Canberra officials, and the many billions potentially at stake heighten the sense of risk. Its consideration is part of a growing awareness that a decade of generally smooth relations with Jakarta during the two presidential terms of Susilo Bambang Yudhoyono (SBY), may come to an end with Indonesian elections next year.

While a former Indonesian foreign minister (and professor of maritime law), Mochtar Kusumaatmadja, has said Jakarta was taken "to the cleaners" (<http://www.smh.com.au/opinion/we-took-a-lot-and-now-have-to-give-20090424-ahz6.html?skin=text-only>) by the Aussies in 1972, Indonesian leaders have so far accepted the treaty as a fait accompli, and as being permanent. But Indonesia's field of presidential candidates for next year is wide open. An early leader, astonishingly, is Prabowo Subianto, the former special-forces general and Suharto son-in-law noted for his harsh suppression of Timorese activism during the occupation. He is claiming a debt of support from Megawati Sukarnoputri, the nationalist president who preceded SBY and daughter of independence-leader Sukarno, who, when in office, aligned herself with regressive military and intelligence figures.

Who knows where the thread will lead if the border starts to unravel in the Timor Sea?

THE SIGNS OF OIL were always there in Timor: seeps of tarry liquid and vents of gas coming out of the tortured geology of the island's south coast. For decades, these shows of petroleum had drawn wildcat explorers who camped out on lonely beaches, among the warriors of local rajahs who dashed around on wiry ponies, wielding razor-sharp cutlasses honed from car-springs.

Each tantalising hint of petroleum along the hills and beaches led to disappointment. Then, in the 1960s, the geologists began looking at the cyclone-swept sea that stretches towards Australia (known as the Tasi Mane or “Male Sea” in contrast to the tranquil “Female Sea”, Tasi Feto, to the island’s north), applying new technologies such as aeromagnetic (http://pubs.usgs.gov/of/1999/of99-514/about_method.html) and seismic surveys (<http://parkseismic.com/Whatisseismicsurvey.html>).

Joining the medium-sized Burmah Oil, which had got its start in Assam and Burma during the British Raj, and the oil major Anglo-Dutch Shell, was a small Australian exploration company named Woodside. Named after a town in Gippsland near the Bass Strait oil fields, the site of its first exploration, Woodside had since turned its attention to Australia’s north-western waters.

In the 1960s, Woodside and its partners were exploring at the farthest limits of water depth for oil development, and in potentially contested jurisdictions. At that time Australia had no agreed maritime boundary with its northern neighbour Indonesia, which had been formed from the former Dutch East Indies and Portuguese Timor — the farthest territory in Lisbon’s empire. Nevertheless, Australia made a claim to the seabed which extended to the southern edge of the so-called Timor Trough, a valley some 3,000 metres deep in a sea generally 100 to 600 metres deep. The argument was based on the alleged weight of geological opinion that this trench, much closer to the Timor coast than to that of Australia, marked the limit of the Australian continental plate.

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Western Australia and the Northern Territory awarded leases under this ambit until 1967, when then Prime Minister John Gorton’s Coalition government in Canberra asserted federal control of offshore oil development through the Petroleum (Submerged Lands) Act. Today, petroleum engineer Geoff McKee marvels at the “arrogant attitude” of awarding leases before borders were agreed. Indeed, similar actions (<http://www.theglobalmail.org/feature/fish-oil-and-gunboats-without-borders/274/>) now taking place in the South China Sea are raising the risk of war.

The oil explorers pushed on, both offshore in the Timor Sea and on the island itself, through their affiliates Timor Oil Ltd in Portuguese Timor and International Oil Ltd in the Indonesian half of the island. Australia’s intelligence community maintained a close interest, with at least two former officers taking up positions within this clutch of companies. But the main game was offshore. “By the beginning of the 1970s,” noted a 2003 report by the United Nations Economic and Social Commission for Asia and the Pacific, “Burmah Oil considered the entire Timor Sea to be prospective for hydrocarbons”.

Meanwhile, Canberra rushed to get the new Indonesian regime of General Suharto to sign up to its interpretation of the underwater geology between their two states. Suharto had seized power, after a botched coup attempt by mid-ranking officers gave the Indonesian army the excuse it wanted to purge the communists and push Sukarno out of power. Bloodstained and short of money, Suharto was desperate for international respectability. Australia’s embrace was therefore welcome. To Indonesia’s inexperienced ministers and officials, its neighbour’s case on the seabed boundary looked fine.

Border negotiations between nations usually take years; once signed and ratified, agreements are permanent unless both parties agree to revision. In this case, after only 17 months of negotiation – during which, according to author Brian Toohey, Canberra’s spies accessed all the Indonesian casework – Jakarta signed a treaty in October 1972 that put the seabed boundary two-thirds of the way towards its islands, close to the trench.

Portugal refused to go along with this, aware that the prevailing wisdom in Law of the Sea circles by then favoured drawing boundaries along the median line between relatively close neighbours. Respected science was also coming to see the island of Timor as fixed to Australia’s geological plate, with the Timor Trough just a large crumple caused by the plate’s collision north of the island with a formation known as the Banda Arc. Australia’s agreed northern seabed border stopped at points below the western and eastern ends of Portuguese Timor. The undefined stretch became known as the “Timor Gap”.

Despite mounting wars against Marxist liberation movements in its African colonies of Angola, Mozambique and Guinea-Bissau, the fascist Salazar-Caetano regime in Lisbon acted in sleepy Timor as though empire were eternal. In response to Australia’s claims, the Portuguese administration in Dili gave petroleum exploration licences out to the median line in the Timor Sea, overlapping concessions awarded by Australia. Indonesia, meanwhile, kept to the prevailing “emerging” world view that newly independent states should stick to colonial-era boundaries

Then Portugal’s peaceful “Carnation Revolution” (http://news.bbc.co.uk/onthisday/hi/dates/stories/april/25/newsid_4754000/4754581.stm) by army officers overthrew the Lisbon regime. The country’s new leaders, the generals and colonels, foreshadowed an early handover of the colonies to local leaders. Seeing a chance to win kudos for their boss, General Ali Murtopo, military-intelligence operatives in Jakarta began covert operations to bring Portuguese Timor into Indonesia and thus prevent a potential leftist state lodging among its eastern islands.

Just as this was happening, in 1974 and 1975, the Burmah-Woodside partnership discovered what turned out to be a vast natural gas field, later called Greater Sunrise. About 80 per cent of the reserve lay in the area defined by Canberra and Jakarta as Australian, about 20 per cent lay in the Gap.

Had the median-line doctrine been applied, the majority share of the field would have gone to Indonesia. If then more accepted maritime-law principles had been observed, discounting the effect of very small islands and atolls, the vertical boundary might have pivoted further to the south-east from the eastern tip of Timor, putting conceivably all of Greater Sunrise into the zone of East Timor.

As Timor's tragedy of occupation, resistance and counter-insurgency unfolded, the offshore oil was a national-interest factor widely acknowledged in Australian foreign-policy circles, if not mentioned in public. In August 1975 (<http://hass.unsw.adfa.edu.au/Timor/2/index.html>), only a few days after Murtopo's operatives successfully instigated a "pre-emptive" coup in Dili by the conservative Timor Democratic Union (UDT), against its left-wing rival Fretilin, Australia's embassy in Jakarta was pointing out that closing of the Timor Gap could be "much more readily negotiated" with Indonesia than with Portugal or an independent East Timor.

University of Western Australia expert on maritime boundaries, [Professor Vivian Forbes](https://www.socrates.uwa.edu.au/Staff/StaffProfile.aspx?Person=VivianForbes) (<https://www.socrates.uwa.edu.au/Staff/StaffProfile.aspx?Person=VivianForbes>), worked closely with Burmah-Woodside at the time Greater Sunrise was found. "They'd discovered it, but didn't make a big thing about it," Professor Forbes says. "It was just a decision to make no big noise about the discovery as it could send shivers – shock waves – through the whole system."

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When news came in that Indonesian paratroops and marines had landed in Dili on December 7, 1975, after getting the green light from visiting US president Gerald Ford and secretary of state Henry Kissinger the day before, Forbes was working in the mapping office of Burmah Oil in Perth. The chief geologist walked in and said: "Stop all work on the Timor sea permits."

But Canberra had not given up on the oil.

Australia was the first Western nation to give *de jure* (legal) recognition to Indonesia's annexation of Portuguese Timor as its 27th province, despite a vicious counter-insurgency war waged for many years afterwards in which up to 200,000 Timorese died as a result of the conflict or of starvation.

Australia's reward was closure of the Timor Gap, but this did not take place until 1989 when then foreign ministers Gareth Evans and Ali Alatas famously lifted champagne glasses over a signed treaty aboard an aircraft flying over the disputed waters – and not until the now more canny Indonesians had hammered out a much better deal than they'd accepted in 1972. The agreement established a seven-sided block roughly between the Timor Trough and the median line as a joint-development area in which petroleum revenues were to be shared 50-50.

Oil projects in and around the joint-development area came to life in the 1990s, notably with the middle-sized Bayu-Undan field operated by Conoco-Phillips and connected to Darwin by pipeline. But Indonesia's grip on East Timor was weakening after the massacre in Dili's Santa Cruz cemetery in 1991, and was prised loose after Suharto's fall in May 1998.

As the new state of Timor-Leste approached independence in May 2002, following a United Nations interregnum, Canberra acted with the same opportunistic self-interest it had shown the Indonesians 30 years earlier. Howard was ready with a quick deal for Timor-Leste counterpart Mari Alkatiri, which gave the new state 90 per cent of the revenue from the joint-development zone. That offer was accepted, but the Timorese continued to press their case for new boundaries.

As detailed in Paul Cleary's book *Shakedown* (<http://www.allenandunwin.com/default.aspx?page=94&book=9781741149265>), four years of quite bitter haggling followed. Bullying, the use of intelligence agencies to read Timor-Leste communications, and specious technical and legal arguments marked the Australian effort to foil Timorese demands for boundary revision to the median line. In 2004, the Timorese called Woodside's bluff, which was that it would walk away from the Sunrise development if the legal agreements were not set by the end of the year. It didn't.

THE PROPOSAL OF A 50-50 revenue split from Greater Sunrise drew the Timorese leaders into the CMATS Treaty. They envisaged a massive spin-off from having the gas landed on their island. In Darwin, the LNG plant for the gas from other Timor Sea and Arafura Sea projects was said to have created 20,000 jobs. At Bintuni in Malaysia, LNG developments had created a city of 500,000 people from what had once been a sleepy fishing port.

Francisco da Costa Monteiro, a New Zealand-trained petroleum geologist advising the Timorese government, foresaw engineering, electronics and plastics industries growing around a plant for processing Greater Sunrise gas, at Beacu on the

island's south coast. "It will change the whole country," he told interviewers in 2005. "It will show that this country can run a huge, sophisticated industrial operation."

Woodside was opposed to piping the gas to Timor; it insisted that the Timor Trough imposed unacceptable technical risks in laying and maintaining a pipeline. It agreed to look at the option, but was more inclined toward putting in a longer (350 nautical mile) pipeline across shallow seas to Darwin, or toward building a floating LNG plant anchored over the field itself.

At one stage it was angling for a \$200 million subsidy for the Darwin pipeline, but this became politically unsustainable on the Australian side, where a vigorous Timor Sea Justice Campaign was being financed by [Ian Melrose](http://www.greenleft.org.au/node/32609) (<http://www.greenleft.org.au/node/32609>) the wealthy optometry-chain entrepreneur. The campaign compared Canberra's stance with the Indonesian occupation, and suggested that the Australian government's actions would directly rob the Timorese of the resources they needed to save their children from preventable illness.

Following the ratification of the CMATS treaty, Canberra has taken the position that the pattern of development of Greater Sunrise is a commercial decision to be left to the Greater Sunrise consortium. But of course, development can't go ahead without the approval of both governments. And to Canberra's disappointment, Xanana Gusmao's government has remained as insistent on piping the gas to Timor as was his predecessor, Alkatiri. Gusmao's ambitious Petroleum Minister, Alfredo Pires, is pushing not just one processing plant, but an even wider network of petroleum-based industries along the south coast of the country; his plans – which include the pipeline and LNG plant and new port at Beacu – could cost up to US\$10 billion to build. Gusmao's re-election last year has produced no softening of the position so far.

For its part, Woodside has completed a \$30 million study into the three options, arriving at the conclusion it has long favoured, that the most viable method of processing the gas would be a floating LNG plant. Such a facility would be only the second of its kind in the world (the first is being built for Shell to anchor over its Prelude field off Western Australia, in 2017) but is increasingly favoured as a way of tapping medium-sized fields.

Woodside, however, has done itself no favours with its abrasive negotiating style. Observers say it is reminiscent of the approach the company took in the early 1980s to negotiations with Japanese customers for the North-West Shelf project, which led BHP and Shell to step in with a temporary takeover of the company to prevent it derailing the deal altogether.

One former Timor-Leste official tells of former Woodside chief executive Don Voelte storming out of a meeting room in Dili, leaving his maps and documents behind. A Timorese official apparently chased him and threw the documents into Voelte's departing car.

IN MAY 2011, Woodside replaced Voelte with Peter Coleman, a more conciliatory American from ExxonMobil with long experience in Southeast Asia and Papua New Guinea. Coleman, say Timorese sources close to the government, took the step of making Woodside's own technical studies available to the Timorese, in order to bring Timor-Leste around. "They are now providing the actual reasons why a pipeline cannot be laid, rather than just insisting it's not possible," one source said.

Under Coleman, the company is said to have made proposals that offer Timor-Leste substantial spin-offs, even without a pipeline and onshore LNG plant. The project would supply the country with all the LNG it needs for electricity generation and industrial feedstock, and supply the entire domestic market for household LPG.

Behind the pipeline advocacy of Timor-Leste's petroleum minister Pires and advisor Monteiro, opinion is shifting in Dili circles and among some former supporters of the pipeline. Geoff McKee, a petroleum engineer with long experience of Timor Sea projects, backed the pipeline to Timor a decade ago, but recently has swung around to a "middle way" – this proposes landing the gas in liquid form, as basis for a nationwide extension of electricity to all households.

"The primary benefit to Timor-Leste of a pipeline has always been seen not so much as a localised export industry, but in terms of domestic energy supply that can benefit the entire community and stimulate foreign direct investment if the right free-market-type legal and commercial rules and regulations are in place," McKee says.

"Transporting the entire production of gas from Sunrise to Timor-Leste, only for the purpose of transporting it again to Japan, Korea or China, does not make as much sense as transporting that gas to those markets directly from the gas field. The rapid development and industry acceptance of floating LNG production facilities has undermined arguments revolving around pipelines for onshore processing."

In Dili newspapers, Vicente Mauboc, a former Fretilin politician whose small Frente Mudanca party is part of Gusmao's coalition, has been a strong critic of the pipeline and onshore LNG plant, even though in 2005 he worked with a group of Jakarta businessmen claiming to have US\$4 billion for their own pipeline from Greater Sunrise to the island, which they could build if Woodside would give them the gas.

Like other critics, he points out that the pipeline and Beacu port works would add US\$5 billion to the capital cost of developing the gas field, which would have to be deducted from the revenue flows to the two governments involved. He also claims Timor-Leste's own technical surveys showed that the complexity of the seabed and unsuitable landform at Beacu risked major damage to the pipeline and other installations.

The critics urging Timor-Leste to accept the Woodside plan cite the urgency of boosting the government's finances. Timor-Leste's current revenue is derived mainly from the existing Bayu-Undan oil field; it is banked into a Norwegian-style sovereign fund and invested in foreign-government securities. But this income peaked last year. It will drop sharply from the current US\$130-150 million a month to US\$30-50 million a month in about three years when the flow of condensates (petroleum liquids) stops, and the field yields only less highly priced gas.

With the government budget drawing from the US\$12 billion fund more than it accrues, and Timor-Leste's population likely to double from the present 1.2 million by mid-century, the new revenue flow from Sunrise will be badly missed if it doesn't arrive five years from now.

"There is a fixation on the pipeline as a panacea," adds McKee, who now argues that the 50-50 revenue split is better than holding out for Australian agreement to redraw the boundary. "This CMATS is like a gratis payment from Australia to East Timor," McKee said. "One could argue this is as good as it gets."

"Australia could and should put an end to decades of hard-nosed greed and offer to negotiate in good faith with East Timor."

The cartographer Professor Forbes in Perth adds that, "geography was never intended to be equal", and thinks the Timorese are doing well out of arrangements that as well as the 50-50 revenue split from Greater Sunrise, gives them all fishing rights in the joint development zone. "Is this not an equitable solution?" he asks.

ALTHOUGH SOME DILI media reports interpreted words by the Petroleum Minister, Alfredo Pires, as suggesting that Timor-Leste was moving to tear up the treaty, no-one is making any such move so far. According to Damien Kingsbury, a Deakin University professor who closely follows Timor-Leste, the Timorese have quietly decided to allow up to another year of negotiations with Woodside, in order to reach an outcome.

While the Australian oil grab rankles, the Timorese appreciate that there are other benefits to their country's relationship with Australia. The Australian troops sent to restore government authority in 2006 have only just been pulled out. Australia's aid to Timor-Leste is substantial. And Timor-Leste is also included in the seasonal-worker scheme Australia has been running with several Pacific-island nations, which might eventually give thousands of villagers access to Australian wages for part of the year, allowing them to build up household resources for education, proper dwellings and small-business development.

Woodside declined to provide information about the state of negotiations for this article. But on February 20, three days before the CMATS trigger date, chief executive Coleman was optimistic in a briefing to investors. "We have had a number of productive technical engagements with the Timor-Leste government in recent months and I'm pleased we have been able to build on our relationship in order to share this information," he said. "Although this engagement does not represent any agreement at this stage, we continue to build on dialogue with both governments to agree on a development which satisfies the requirements of all parties."

Still, there are some who urge Timor-Leste to push for renegotiation. In *The Australian* newspaper last month, Tom Clarke, an organiser of the Timor Sea Justice Campaign in 2005 urged that, "Australia could and should put an end to decades of hard-nosed greed and offer to negotiate in good faith with East Timor. Permanent maritime boundaries will provide more economic certainty for both countries and for the companies seeking to exploit the oil and gas resources. But, more than this, setting permanent boundaries in accordance with international law is the right thing to do."

Few would argue with his sentiment, but the chances of getting either side of Australian politics to apply it are remote. At its 2004 conference, the Australian Labor Party declined to support a return to international-court jurisdiction. In power since 2007, Labor has maintained the Timor Sea policies it inherited from Howard and Downer, and from Hawke and Evans before them. The ALP's Gary Gray, who this week replaced Martin Ferguson as federal resources minister, was a principal strategic adviser with Woodside in 2001-2007, before entering parliament.

There's a school of thought in Dili, which is, however, adding to the hesitation in Timor. Expressed most eloquently by Charlie Scheiner of the La'o Hamutuk (<http://www.laohamutuk.org/>) (Walking Together) non-government agency, it holds that resources revenue is a distraction from the hard detail of building up human capital through education and health; and that Timor-Leste doesn't yet have the governmental capacity to turn dollars in offshore accounts to development on the ground, that it might be best to leave the resource in the ground until the capacity is there to use it properly. Scheiner likes to call oil the "devil's excrement" (<http://www.laohamutuk.org/Oil/PetFund/Consult/LH%20PetFund%20submission.pdf>). On the other hand, the sovereign fund is supposed to do just that job of storing wealth for future generations, if politicians can resist tapping it.

But an external factor may impose a more urgent deadline on Timor-Leste for the development of Greater Sunrise. The rapid growth of shale gas and coal-seam gas supplies in the United States and elsewhere, plus new gas discoveries in countries such as Kenya, have added a note of uncertainty as to the longer-term market for LNG.

Woodside's Coleman dismisses this talk. "If the proportion of gas in China's 2025 energy mix increases by just 1 per cent, LNG demand will proportionally increase by about 6 mtpa (million tonnes per annum)," he told investors last month. "To meet the global demand outlook to 2025 the world needs new LNG projects including those proposed for Australia, North America, East Africa and other regions. Even then supply will struggle to keep up with demand. Lead times in locations such as East Africa are going to be significant and we can't realistically expect a large contribution from some emerging supply markets before 2025. To put this another way, over the past 40-50 years the LNG industry has built 250 mtpa of LNG capacity worldwide. We now need to do roughly the same again in just over a decade."

But he would say that, wouldn't he? And Timor-Leste, which has sometimes been called the "tail that wags the dog" in terms of its impact on Indonesian politics, still has the potential to stir things up for Australia too, and reopen arguments about the perceived injustices of more than four decades of sharp diplomatic and legal practise with its inexperienced neighbours.

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15 COMMENTS ON THIS STORY**by Dean**

It appears that neither side has approached these negotiations in good faith. Has there been much discussion about how to structure the project to optimise benefits and risks / liabilities (efficiencies from existing infrastructure and skills, spin off industries, environmental consequences...) that are to be divided? The Australian government may have brought a gun to the negotiating table but the "poor" East Timor government's shiv is just as deadly.

March 28, 2013 @ 5:33pm

**by R Kelly**

Historically, I am not proud of all that my country has done to Timor Leste.

We culpably abandoned them to Indonesia as an economic preference and accepted the massacres. With the 'Balibo 5' murders, we could hardly say out approval was tacit. Hard-nosed economic realities do not make these things go away. We owe them.

An equal-shared outcome is still immensely lucrative and a developed and friendly neighbour may be desirable for a number of reasons. There is no loss that is not well balanced by this.

Australia should make this decision on its' own. Taking the initiative will bring an added credibility, much lacking in our global 'economic cringe'.

March 29, 2013 @ 9:52am

**by Bob Petty**

Big Money talks and always will.

March 29, 2013 @ 1:46pm

**by Peter Cronau**

The East Timorese are facing the decisions over insisting on real justice in redrawing the unfair seabed boundary, in the same manner that they decided to resist the illegal Indonesian occupation. So far they are taking no easy-out, making no accommodation, seeking no compromise, instead seeking to persuade their 'opponents' of the wisdom of justice. And who knows, they might just win - again.

Background here - <http://www.abc.net.au/4corners/stories/2012/09/27/3599022.htm> (<http://www.abc.net.au/4corners/stories/2012/09/27/3599022.htm>)

March 29, 2013 @ 2:23pm

**by Marilyn**

At least you put the date of the invasion of East Timor in the correct order, maybe all those who still blame Gough will now remember that he was not PM on 7 December 1975, and it was Peacock and Fraser who disgracefully recognised the brutal illegal invasion and occupation while Australia sat on our hands while hundreds of thousands of innocent people were slaughtered.

A few peacekeepers and working visas is about the minimum we should be doing for the East Timorese but the exploitation never stops.

Gillard wanted to dump refugees there as little as 3 years ago.

We have always been a bully nation, we just get worse as time goes by, and infinitely more racist.

March 30, 2013 @ 4:54pm

**by Steve Carey**

Why we had to play hard ball with a desperately poor country like East Timor, is beyond me. We need the goodwill of both the countries to our north. And being generous on this matter will surely help.

March 30, 2013 @ 8:05pm

**by Geoff McKee**

1/3

It is impressive how a writer like Hamish McDonald is able to take a technically & politically complex issue like this and weave it into such a readable narrative. The story has strands that go right back into history of oil exploration in the Timor Sea - and Australia's relations with Indonesia. This helps us to get a better grasp of the maritime jurisdictional contest in the Timor Sea over the years.

From my perspective, the story is not all about the past. It is also a forward-looking, and a hopeful story. It seems to be genuinely searching for, and encouraging, a pragmatic and positive outcome for the people of Timor Leste, in an imperfect world.

The Timorese government would surely believe it has a solemn duty to achieve independent development, poverty reduction and international respect, as a new nation emerging from the suffering and humiliation of a brutal military occupation.

This is a situation where the Australian government could perhaps facilitate or encourage the operator of the Greater Sunrise field (Woodside Energy) to pursue some kind of middle-way solution, as a creative reconciliation of two mutually exclusive energy development plans.

I was recruited in late 1997 by the late Dr Andrew McNaughtan - as a petroleum industry "insider" - to help him and his friends with their passionate crusade for East Timorese independence.

I became an early proponent of a pipeline to East Timor, because I understood energy, and how primary energy supply, together with secondary electricity generation, can be the lifeblood of nation-building in the modern era.

I have seen and listened to Peter Coleman, Woodside's new CEO, speak at oil industry conferences. I sense - maybe it is a wishful hope - that he is the right man for this difficult task. He will need to put together a project jig-saw puzzle that will end up as a win-win outcome.

April 2, 2013 @ 12:50pm

 **by Geoff McKee**

2/3

A middle-way solution aims to see Timor Leste achieve energy self-sufficiency as well as some manufacturing development and substitution of imported goods. If there is such a thing as synergy here, such an approach could end up a better outcome for both players (Woodside and the RDTL government) than either of the competing development options on their own.

I know, as an oil & gas production facilities engineer, that the middle-way solution involving an LNG regasification terminal and port facilities on the south coast of Timor is technically feasible. But I do not know whether this possible solution to the impasse will turn out to be economically, commercially, organizationally, and/or politically feasible.

It will take all the knowledge and skills of an oil industry leader to inspire his team of engineers and external consultants to come up with specific engineering and project-financing solutions. These solutions will need to enable the East Timorese to accept floating LNG production without sacrificing any of the onshore benefits to be derived from a Tasi Mane-type energy infrastructure project on the south coast of Timor Leste. That is the challenge.

The Timorese may not be inclined to "roll over" after all the sacrifices made and lessons learned in achieving independence and in negotiating with Australia over oil rights afterwards. I believe they will only support a middle-way solution if they come to see it as actually superior, in terms of economic development objectives, than their currently preferred option for an onshore LNG export project (found to be sub-optimal by Woodside).

April 2, 2013 @ 12:50pm

 **by Geoff McKee**

3/3

Real energy security and energy independence is an urgent need for the young nation in a world that has an unstable financial system and uncertain economic outlook due to fiat currency and national debts that can never be repaid.

East Timor supporters who want to turn back the clock and re-open the maritime boundary dispute, in the hope of gaining more petroleum reserves and exclusive jurisdiction for Timor Leste, must recognize the risk in this course of action, that could backfire badly on the nation.

It is an advantage for a small nation to have its own primary energy source. Peter Coleman - we hope - will understand this better than most.

It is surely better to see the current impasse end with champagne bottles being cracked open in Perth and Dili, rather than the spectre of sour grapes for many years in both capitals, caused by project failure.

For a project to proceed, the risks in all areas must be acceptable to the operator, Woodside Energy, and to the lenders who will finance the project.

If there is project failure, it will be a result of economic, commercial, organisational and/or political hurdles that could not be overcome, despite the best efforts of both parties to the dispute.

Looked at that way, a project failure is the fault of neither party, but the the fault of reality.

Links

1998 - early Timor Oil political work directed by the late Dr Andrew McNaughtan:-

<http://www.scribd.com/doc/61102013/East-Timor-1998-Fracturing-the-Consensus> (<http://www.scribd.com/doc/61102013/East-Timor-1998-Fracturing-the-Consensus>)

2011 middle-way concept

<http://gamckee.com/wordpress/general/timor-sea/> (<http://gamckee.com/wordpress/general/timor-sea/>)

April 2, 2013 @ 12:51pm



by Dave Henderson

It strikes me as a situation not unlike the tax system; taxing more and spending more outside that system. We'll give the Timorese less, but offer them 'other compensation'.

April 2, 2013 @ 1:55pm



by Jessie Lopez

Can you translate this article to Tetum?

April 2, 2013 @ 3:11pm



by Dennis Burt

Thank you Hamish for an excellent piece of journalism.

April 7, 2013 @ 5:59pm



by Scott

Get your facts right. One example is that the the "NT got another 20,000 Jobs". After the initial build up phrase jobs were in the few hundreds. My view is that East Timor got a very good deal from Australia in the spread of of resourses from ZOCA before the Sunrise thing.

April 7, 2013 @ 7:03pm



by Jo

Neo-colonialism is alive and well.

April 14, 2013 @ 3:12pm



by Shanahan

Scot, It's obvious East Timor got a very good deal from Austalia. You only have to look at their standard of living to see they've been reaping the benfits of Australia's generosity for years.

April 15, 2013 @ 1:40pm