

# Timor-Leste fears floating LNG vessels are 'sitting ducks' for terrorists

Angela Macdonald-Smith March 12, 2015



Timor-Leste resources minister Alfredo Pires says the cost of an onshore LNG plant was much more certain. Photo: Timor-Leste government

Timor-Leste resources minister Alfredo Pires has described floating LNG vessels as "sitting ducks" for terrorists as he outlined the government's opposition to Woodside Petroleum's preferred plan for the development of the Sunrise gas field.

Mr Pires cited the security concerns among the government's several objections to floating LNG technology, including the absence of commercial proof of its economics and concerns about a potential conflict of interest for Royal Dutch Shell as owner of the technology that would be used at Sunrise as well as being a venture partner.

"When you have a half-a-kilometre vessel in the middle of the sea, especially the way the world is turning ...they are just basically sitting ducks, they are so big you can't miss it." he said in an interview from Perth, where he is attending an oil conference.

"These are factors that need to be taken into consideration when you find out eventually what the whole thing costs."

Mr Pires, who has retained his ministerial role in the government led by new Timor-Leste Prime Minister Rui Araujo, was speaking after a meeting in Perth with Woodside Petroleum chief executive Peter Coleman and Western Australian Premier Colin Barnett, who has also voiced reservations about floating LNG.

He said the discussions in the meeting covered broader topics around Western Australian assistance for Timor-Leste in engineer placements in Perth, and local content for resources projects.

A disagreement over how to develop Sunrise in the Timor Sea has been continuing for years,

<http://m.smh.com.au/business/timorleste-fears-floating-lng-vessels-are-sitting-ducks-for-terrorists-20150312-141pvw.html>

with the Timor-Leste government insisting the gas resource be developed in an onshore plant built on its soil. The Sunrise partners led by Woodside prefer a floating LNG project although last year Woodside agreed to re-consider the onshore Timor option.

Mr Pires said in contrast to the floating LNG plan, the cost of an onshore Timor LNG plant was much more certain, at less than \$US15 billion (\$20 billion) for a 5 million tonnes per year plant. He said that option also had the advantage of being closer to the Asian market, and said there was no shortage of potential LNG customers for an onshore project, including the world's biggest LNG buyer Korea Gas Corporation.

The issue about how to develop Sunrise has however been pushed into the background by fresh uncertainty over the fiscal and regulatory framework for the development of the gas resource after Timor-Leste last year declared the sovereign treaty between Australia and Timor-Leste over the resource, known as CMATS, void. It has moved to re-open negotiations with Australia on a permanent maritime boundary, potentially pushing the Sunrise project back by several years until that issue might be settled.

Woodside Petroleum chief executive Peter Coleman said last month the company was unable to commit more money to trying to move forward on Sunrise given the uncertainty around the regulatory and fiscal framework.

"There's just a point where you've worked through all of your options, you know what the next step is, but before you take that next step you need to know who you're paying your rent to," Mr Coleman said.

Mr Pires described Mr Coleman's comments as "a bit unfortunate", saying the move had "short-circuited" a process of confidence-building that had been going on in discussions with Woodside on Sunrise. He said Timor-Leste wanted to maintain a dialogue with Woodside on Sunrise in parallel with government-to-government discussions with Australia on boundaries and the fiscal framework for the resource project.

Mr Pires rejected the suggestion that Sunrise had missed its opportunity for development given the slump in the crude oil price and voiced confidence in the project.

"Greater Sunrise is an excellent field, the molecules are good," he said. "We are ready to move. We have some issues we need to discuss [but] I don't see Greater Sunrise being left for many, many years."

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