

Timor-Leste buys ConocoPhillips stake in Greater Sunrise consortium

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An East Timorese delegation closed a deal on Friday to buy ConocoPhillips' 30% stake in the Greater Sunrise oil field consortium for \$350 million, a source said.

The deal was closed after a final round of talks in Bali, Indonesia, with the Timorese delegation headed by former President Xanana Gusmão and ConocoPhillips by Australia's top manager Chris Wilson.

Present in the negotiations were Alfredo Pires, who was appointed Minister of Petroleum and Mineral Resources but has not yet taken office, Francisco Monteiro, president of the Timor Gap Timorese oil company, and businessman James Rhee, head of the TL Cement project, who supported the negotiating process, a Timorese government source said. The operation will also have to be made known to market regulators.

The Greater Sunrise consortium is led by Australian operator Woodside (34.5%) and ConocoPhillips (30%), Shell (28.5%) and Osaka Gas (10%).

Another source linked to the process explained to Lusa that the purchase of the ConocoPhillips stake by the Timorese state could help make the development option feasible through a pipeline to southern Timor-Leste. Although formally the consortium has always argued that the pipeline option for Timor-Leste is not financially viable, a source linked to the talks told Lusa that within the consortium, ConocoPhillips has been "the main opposition."

Greater Sunrise fields are almost entirely in East Timorese waters under the new maritime boundary treaty signed in March with Australia and which is yet to be ratified by the parliaments of the two countries. At this purchase price for the participation of ConocoPhillips, Timor-Leste will have to add an additional value to the development costs of the fields themselves. This does not include the cost of operation to bring the pipeline to Timor-Leste for processing on land.

The UN conciliation commission that mediated between Timor-Leste and Australia estimated that the construction of a pipeline for Timor-Leste would only have viable commercial returns with a "direct subsidy" from the Government or another source amounting to \$5.6 billion.

Xanana Gusmão, who led negotiations with Australia on the treaty, was appointed by the Government as Timor-Leste's special representative to complete the process of ratifying the document and to lead negotiations for the agreement on the development of Greater Sunrise wells.

In particular, Xanana Gusmão is leading the process of ratification of "the Treaty between the Democratic Republic of Timor-Leste and Australia establishing their maritime borders in the Timor Sea", as well as "the acquisition of interests in oil fields and the celebration of agreements relating to the development of the Greater Sunrise oil fields," the Government explained.

The historic "Comprehensive package agreement on the central elements of a delimitation of maritime borders between the two countries in the Timor Sea", a document produced after negotiations under the auspices of a Conciliation Commission, was signed on 6 March in New York.

The ratification process also requires the finalization of transitional arrangements for the management of all resources currently being exploited in the Timor Sea, with the jurisdiction - and revenues - shared so far between Timor-Leste and Australia to exclusively to Timor-Leste.

The Timorese organization La'ó Hamutuk estimates that, until ratification, Timor-Leste will lose more than \$5,500 per hour to the Australian coffers, or about four million dollars per month, equivalent to the 10% of the revenue that Canberra receives.

There is still no agreement "on the commercial terms for the development of Greater Sunrise", which will guarantee "equivalent conditions" to companies under any new regime for Greater Sunrise, in accordance with the commitments made in the Timor Sea Treaty and subsequent International Unification Agreement.

The Greater Sunrise fields contain estimated reserves of 5.1 trillion cubic feet of gas and are located in the Timor Sea, approximately 150 km southeast of East Timor and 450 km northwest of Darwin, Australia.