



Legislative delay slows progress on Sunrise

President of Timor-Leste slows down process of amending petroleum law, with government purchase of interests affected

[Russell Searancke](#) Wellington 20 Dec 2018

Timor-Leste's President has slowed the ruling government's push to make amendments to local petroleum law, potentially delaying the state's purchase of a majority interest in the Sunrise liquefied natural gas project.

The government has in recent months agreed to buy ConocoPhillips' and Shell's interests in the Sunrise resource for US\$650 million.

However, the rejection by President Francisco Guterres of a proposed amendment to local petroleum legislation has affected the Sunrise sales and purchase transactions. It was widely reported that Guterres had vetoed the Sunrise deals, but this was inaccurate.

The proposed amendments to the law would have reportedly enabled the government to access the country's petroleum fund to finance all or part of the \$650 million acquisitions.

The amendments also sought to remove the independent oversight of a broad range of petroleum-related contracts by the Audit Chamber of the High Administrative, Tax and Audit Court. In addition, the changes were to be retroactive to 27 September, which was before the ConocoPhillips and Shell agreements.

The amendments were introduced to parliament in late October and passed in mid-November, then sent to Guterres for final approval.

Various civil society groups agitated against the amendments, including the non-governmental organisation La'o Hamutuk, which said a number of groups opposed to the changes met with Guterres in late November.

On 11 December, Guterres vetoed the amendments, sending them back to parliament for revision.

He was quoted by local media as saying his veto aimed to clarify the difference between spending and investments, and to protect the sustainability of the petroleum fund.

According to La'o Hamutuk, Guterres also wanted to ensure legislative policies were clear, dynamic, prudent and transparent.

He also wanted to strengthen good practice by maintaining prior court reviews of contracts.

The veto affects the Sunrise transactions but does not necessarily stop them.

A spokesperson for ConocoPhillips Australia said: "ConocoPhillips respects the fact that Timor-Leste must go through its own internal review and approval process. The President's veto is not necessarily the end of the process and our agreement recognises time may be required for this important process."

A Shell spokesperson said: "During the negotiation process, we were advised by the government of Timor-Leste of a number of options available for funding the transaction. We remain committed to working with the Timor-Leste government to complete the process."

Timor sources said it was not clear whether parliament can legally override the veto, and for the moment parliament is busy trying to finish the 2019 budget.

Xanana Gusmao, Timor-Leste's Special Representative for Sunrise, was reportedly angered by the president's veto.

La'o Hamutuk said the veto "stimulated vociferous, often uninformed, debate among Timorese politicians and local media".

The Greater Sunrise fields are located 150 kilometres south of Timor-Leste's south coast in water depths between 90 metres and 550 metres.

The project's estimated contingent reserves are 5.13 trillion cubic feet of dry gas and 226 million barrels of condensate.

The fields are currently owned by Woodside with a 33.44% operating interest, ConocoPhillips on 30%, Shell on 26.56% and Osaka Gas on 10%.

<https://www.upstreamonline.com/hardcopy/1658795/woodside-emphasises-its-commitment-to-development>

Woodside emphasises its commitment to development

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Woodside Petroleum is committed to the development of the Sunrise liquefied natural gas project and has not been in discussions with the Timor-Leste government about selling its interest, *write Xu Yihe and Russell Searancke*.

The Australian partner's chief executive Peter Coleman told Upstream the development will take place after 2025.

"We have not been in discussions with Timor-Leste at all about selling our equity. In fact, Woodside remains committed to the development of Sunrise with Timor-Leste," said Coleman.

The field's owners are currently Woodside with a 33.44% operating interest, ConocoPhillips on 30%, Shell on 26.56% and Osaka Gas on 10%. However, ConocoPhillips and Shell have agreed to sell their interests to the Timor-Leste government.

One of the reasons for divesting is that there has been disagreement on the development concept. Timor-Leste is determined that the gas will be piped to an onshore LNG plant on its south coast, but the joint venture prefers a pipeline to Darwin.

Market watchers have suggested that the joint venture should consider a liquids project first, and then develop the gas at a later date.

Coleman said: "We are still optimising what the development would look like, and obviously there is a potential change in ownership with ConocoPhillips and Shell leaving the joint venture. We will work with Timor-Leste and decide what the development is."

During the negotiations between the two countries for a permanent maritime boundary, a plan was hatched for developing Sunrise.

If Sunrise was developed with a pipeline to Timor-Leste then the share of upstream revenue would be 70% to Timor-Leste and 30% to Australia.

If Sunrise was developed with a pipeline to the existing Darwin LNG location, the revenue share would be 80% in favour of Timor-Leste, and the overall development cost would be significantly cheaper.