

**The Secretary of State for the Council of Ministers and
Official Spokesperson for the Government of Timor-Leste
Ágio Pereira**



**May 31, 2010
Dili, Timor-Leste**

**Statement by the Secretary of State for the Council of Ministers
*Timor-Leste requires equitable benefits through Greater Sunrise***

The Government of Timor-Leste reaffirms that a pipeline from Greater Sunrise to Timor-Leste is the only way forward in the monetization of its resource. An equitable distribution of benefits between the two countries, Australia and Timor-Leste, and their peoples, is an irrecusable imperative in this joint development.

Woodside and the joint-venture partners can only join and assist the two countries in implementing a policy for the Timor-Sea when and if they, as operators, fully understand, accept and comply with the overarching principles established by the treaties in force.

Authorized drilling of petroleum in the Timor-Sea offshore, and the integrated processing of it, shall promote long-term investment in the territories and the peoples of Timor-Leste and Australia, and not only Australia. The decision on how the peoples' resources and seas should be best integrated and developed is a sovereign decision, not a commercial trade.

It is within the incontestable Government's authority, on behalf the people it represents, to decide what rights should be "granted", and consistently with them, which developments should proceed.

The Timor-Sea international arrangements did not privatize the common sea and heritage, which means that the Timor Sea is not, and will never be, privately run.

The international community and the Timorese should be made acutely aware of the profound significant economic benefits from on shore resource development; clearly outlined in a 2002 report conducted by the consulting firm ACIL for the Northern Territory Government, titled "**Development Options for the Timor Sea Gas: Implications for Australia**".

In this report two scenarios were presented:

1. **Scenario A**, pipeline from Bayu-Undan to Darwin and a FLNG for Greater Sunrise;
2. **Scenario B**, two pipelines to Darwin, respectively, from Bayu-Undan and Greater Sunrise.

A pipeline to Timor-Leste was not included or assessed.

For **Scenarios "A" and "B"**, the Centre for International Economics (CIE) estimated the economic benefits of both upstream and downstream activities on both the Northern Territory and the Australian economies. The CIE identified (60) sixty sectors of production in each economy, including oil and gas production, methanol production, the aluminum industry, gas pipeline transmission activity, electricity generation and various

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other industries; also with provision for capital inputs to production of general goods and services.

The macroeconomic model was cited as “conservative” – which is an undeniable truth given the economic benefits Bayu-Undan has already delivered. The report also exempts developments identified past 2012 such as petrochemical and ammonia/urea production.

Helium production, another recent expression of the enabling power of having feed gas onshore, was also excluded.

The economic impact, **annually**, as estimated in the report is as follows:

Scenario A: Pipeline from Bayu-Undan to Darwin and FLNG for Greater Sunrise
(annually)

1. An increase of 35% to (NT) Northern Territories Growth State Product (GSP), for the whole of Australia, a three billion increase in Growth Domestic (National) Product (GDP);
2. An increase in real investment in the NT economy of 48 million;
3. Net overseas export from the NT of over 2,700 million (2.7 billion);
4. A permanent employment boost of 3264 in NT and almost double of that in the whole Australia;
5. An increase in the Commonwealth revenues of over \$110 million.

Scenario B: A Pipeline to Darwin from both Bayu-Undan and Greater Sunrise
(annually)

1. An increase of 45% to NT “GSP”, for the whole of Australia, a (4) four billion increase in GDP;
2. An increase in real investment in the NT economy of 82 million;
3. Net overseas export from the NT of over 3,300 million (3.3 billion);
4. A permanent employment boost of 5156 in NT and almost double of that in Australia;
5. An increase in Commonwealth revenues of over \$210 million.

These numbers do not include any economic benefits to Timor-Leste. The independent studies clearly demonstrate that a pipeline is far more advantageous for the resource owners than an FLNG, and the economic benefits for Timor-Leste available through a pipeline from Greater Sunrise to Timor-Leste could transform the nation.

Furthermore, in **[Report 49] “The Timor Sea Treaty”, Joint Standing Committee on Treaties (Nov 2002)** - the following statements are made:

1. [4:15] Woodside estimated Greater Sunrise reserves at 8 Tcf (trillion cubic feet of Gas);
2. [4:11] Shell and Woodside were investing in FLNG technology;
3. [4:31] Timor-Leste could “expect” 100 million per year from the development of Greater Sunrise

*(*note – Timor-este currently intakes 100 million USD “per month”, from the exploitation of Bayu-Undan);*

4. [4:25] In the event Sunrise participants brought gas onshore, Peter Brain of the National Institute of Economic and Industry Research estimated the financial benefit to be in the order of **\$22 billion** with employment of a workforce of about **20,000**.

In 2010, the operator, Woodside, suddenly, and without explanation, downsized the Greater Sunrise reserves figure, from 8tcf (in 2002) to around 5tcf, making the reserves figure barely compatible with the maximum capacity of a Floating LNG technology.

According to the study, “**A breakthrough for Floating LNG?**,” (Poten partners, NYC and UK) FLNG is a new development option used for either remote fields or to avoid long distance pipelines, “stranded gas reserves deemed too remote, too small, or otherwise too difficult for conventional land based LNG development”; all challenges which would justify additional costs and risks in development; but Greater Sunrise, a world-class field cannot be classified under the conditions which would constitute the need for a FLNG; a mere 150km off the coast of Timor-Leste, onshore development is much more prudent, risk adverse, commercially viable and economically transparent.

Experts also warn the FLNG is the most-complex offshore production operation ever attempted; with absolute unknowns; the technology is described as ‘economically mired with uncertainty,’ hardly the “cheapest” option Woodside is flouting given the uncertainty, long term maritime risks and the significant technical challenges, many of which have yet to be identified.

While the report also outlines the ‘significant’ commercial, legal and regulatory risks associated with this option; the marine location brings into play a broader range of rules and regulations, including national legislation, flag state regulations, class rules and international conventions; all considerations before a FLNG could ever be considered a viable concept.

Early estimations show the “capital cost” of a floating LNG, still considered “opaque”, will require a minimum 14% return to cover the perceived risks, the technology of a conventional pipeline is only 10.5%. Given the technology is so new, significant additional investment from the revenues of Greater Sunrise would be needed for these processes to reach “stable” status. Costs incurred during both the development and operational phases of an FLNG, like with any new technology, could skyrocket and significantly undercut revenues to Timor-Leste; delivering no downstream benefits or industries crucial to national development.

Regardless of the above considerations, the FLNG option has been a priority for Woodside and their joint-venture partners since before 2002: using the Greater Sunrise reservoirs, one of the fields in the world that could fund a project of this magnitude, as an inception ground for their extremely risky, but “portable”, new floating technology which can be reused after the field is depleted; bringing more economic benefits to the operators; none to the resource owners despite paying for the costly asset.

A simple truth: Woodside has chosen the best commercial advantage for Woodside and the JV Partners. Timor-Leste, a poor country highly dependent on petroleum revenue, more than any other country, cannot and will not responsibly accept such high level of uncertainty and risk.

Timor-Leste has stated clearly that it will not fund the new technology to benefit the future of corporate giants or contribute to their commercial advantage while disadvantaging the interests of the resource-owners. Nor will Timor-Leste refund new technology costs that deliver none of the “benefits in the downstream” that Timor-Leste, legitimately, this time requires.

Secretary of State Agio Pereira describes the “sell in” of the concept through the media as preposterous. “It is ludicrous to attempt to sell the FLNG proposal as being the best commercial advantage for Timor-Leste; in line with ‘best oil field practice’, when the practice does not even exist.”

Pereira confirmed Timor-Leste was happy to wait until which time the operators fully understood their responsibilities under the terms of the treaties and closed by saying “The lack of professionalism, transparency and attempts to misguide the process will not be accepted by our Government and our people. We, as a nation, are united with a clear vision which is translated into a national development strategy to guarantee sustainable and competitive development for the benefit of our country and future generations.”
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