

Australia gas deal renews tension

By Anthony Deutsch in London

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East Timor is considering legal action over a multimillion-dollar helium production facility in Australia, renewing tension between the nations over vast, contested resources in the Timor Sea.

To the surprise of the East Timorese government, German industrial gas producer Linde Group opened the plant in Darwin in March, signing a long-term contract to buy unpurified helium from ConocoPhillips.

East Timor, which jointly holds rights to the Bayu Undan field operated by ConocoPhillips, told the Financial Times the helium is being extracted and marketed without its consent. Linde expects to produce 150m cubic feet of helium a year by refining a waste stream released during liquefied natural gas processing in Northern Australia. It is the largest helium production facility in the southern hemisphere.

The fight over helium is the latest confrontation between Australia and East Timor in the disputed maritime territory that has been the focus of negotiations since it was part of Portugal in the early 1970s.

Last month, Timor blocked a proposal by Australian oil giant Woodside Petroleum to process tens of billions of dollars in gas in the contested Greater Sunrise field.

Under bilateral treaties between East Timor and Australia, the countries split billions of dollars in profit from the Bayu Undan site, which has enabled East Timor to build up a \$6bn (€4.7bn, £4bn) National Petroleum Fund.

East Timor said it was not consulted on the creation of a "secondary billion dollar (helium) industry on shore in Australia". It said Australia's economy was benefiting from long-term employment and private sector growth "once again, at the expense of the Timorese".

Timor, a former Portuguese colony of 1.1m people, gained independence eight years ago after a brutal 24-year Indonesian occupation that left hundreds of thousands dead. The government has made it a priority to tap its resources and reduce towering unemployment and poverty.

Government lawyers are examining how to claim a share of profit from the helium, which it said is a "sovereign resource" protected under its constitution. The bilateral treaties with Australia do not allow for unilateral exploitation of the seabed, it said.

The legal status of the "waste stream" helium would likely be the focus of any legal dispute. East Timor's lawyers are considering where to file the claim and if it should be against the Australian government or the companies.

ConocoPhillips, which extracts and processes the liquefied natural gas in Darwin before selling the raw helium to Linde, said the treaty between Australia and East Timor "sets out the arrangements between the countries". It said contractors operate under "a production-sharing contract and such other agreements that may be negotiated, as necessary," but declined to give details.

Global demand for helium is on the rise and supplies are shrinking, resulting in price hikes, according to a report by the US government think-tank, the National Research Council. It said that between 1995 and 2012 demand will have nearly doubled.

The helium industry is worth tens of billions of dollars, due to use in medical, technological and defence research. It is commonly used for MRI scans, welding, LCDs and fibre optics.

Dan Baciu, the head of helium business development at Linde, said that East Timor's move "comes as a surprise". Linde was not aware of the deal between East Timor and Australia, he said.

Additional reporting by Peter Smith in Sydney

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