East Timor’s allegations that Australia engaged in espionage during 2004 talks on a treaty for the Sunrise natural gas field may lead to further delays for a Woodside Petroleum Ltd. (WPL) project, Deutsche Bank AG said.

Woodside and its partners, including ConocoPhillips (COP), would want “fiscal certainty” before making an investment decision to move forward with the Sunrise liquefied natural gas development in the Timor Sea, “and the claims raised put doubt on this,” John Hirjee, Deutsche Bank’s Melbourne-based energy analyst, said today in an e-mail response to questions.

East Timor says the 2006 treaty to share the royalties from Woodside’s Sunrise gas resources in waters between the two countries is invalid and has started arbitration, Australian Foreign Affairs Minister Bob Carr said May 3. East Timor also claims that Australia didn’t conduct the talks in “good faith” and engaged in espionage, Carr said. Australia considers the treaty valid, according to the statement.

Woodside, Australia's second-biggest oil producer, has held talks with the government of East Timor to resolve a dispute that stalled the development of the project, about 150 kilometers (93 miles) southeast of East Timor. East Timor wants the companies to pipe the gas to a processing plant in the country to spur the economy, while Woodside proposed a floating liquefied natural gas plant.

Perth-based Woodside is reviewing the announcement made last week by the Australian government, Laura Lunt, a spokeswoman for the company, said today in an e-mail statement.

“Woodside will continue to engage with both governments to further understand any consequences of the proposed arbitration,” according to its statement.

While the Sunrise resource in the Timor Sea is valuable, “any development will sit firmly in the 'too-hard' basket for what is appearing to be a very long while,” Andrew Williams, a Melbourne-based oil and gas analyst at RBC Capital Markets, said yesterday in an e-mail response to questions.