

Xanana Gusmao's Timor Sea rant is an own goal for his needy nation

By Cameron Stewart, Washington correspondent. The Australian, 10 March 2018



Hermenegildo Pereira and Julie Bishop this week. Picture: AP

At face value, there was no hint of the dark diplomatic games being played out behind the scenes at the UN headquarters in New York this week as Foreign Minister Julie Bishop signed a historic treaty with East Timor.

As a beaming UN Secretary General Antonio Guterres looked on, Ms Bishop and East Timor's minister for borders, Hermenegildo Pereira, signed the treaty establishing a permanent maritime border between the two countries. It divided the rich spoils of oil and gas in the Timor Sea sharply in East Timor's favour.

But behind the smiles, East Timor was seething. Its revolutionary hero, former militant and president, Xanana Gusmao, had just kicked a massive own goal for his country. It began a week earlier when Gusmao had launched an extraordinary attack on Australia.

In a blistering letter written to the independent Conciliation Committee, set up to negotiate the borders between the two countries, Gusmao adopted his old revolutionary fervour to portray Australia as an overbearing colonial-era bully. The issue was whether the estimated \$40 billion worth of resources from the Greater Sunrise oil and gas field should be developed in Timor or Darwin.

Gusmao, as East Timor's chief negotiator, was insistent that resources be developed in East Timor to maximise the economic benefit to the Timorese people. The only problem was this would require a large pipeline to be built across a deep-sea trench and to build an LNG plant from scratch in East Timor. The other option, favoured by the partners in the Greater Sunrise project, was to use an existing LNG plant in Darwin.

The Conciliation Commission had just completed an independent review of the two proposals and had delivered its draft report to Gusmao. The report definitively showed Gusmao's Timor LNG option to be unworkable and commercially unviable. He was

furious. He drafted a barely coherent letter accusing the Conciliation Commission, established by the Permanent Court of Arbitration in The Hague, of bias and incompetence.

“The commission revealed an uncommon generosity in allowing itself to think on behalf of the people of East Timor,” he wrote caustically. He went on to write: “I must say that this is a show of the capitalist mindset which is so common of developed countries. Timor-Leste must learn that such policies and behaviours are motors of the world economy.”

The letter rejects as “a defensive public relation exercise” Australia’s offer to pay \$100 million towards building a smaller domestic gas pipeline to Timor as part of the larger plan to develop Greater Sunrise LNG in Darwin.

He then accuses Australia of all but stealing billions of dollars of resources that should have belonged to East Timor and suggests Australia should direct some of its future revenue towards improving the conditions of indigenous people.

But Gusmao’s letter did not impress the commission. It responded this week by bringing forward its independent analysis and releasing it on the day of the treaty’s signing. It was deeply embarrassing for East Timor and devastating to Gusmao’s case. It showed he had misled his people about the viability of his plan, using Australia, the Greater Sunrise Joint Venture partners and the Conciliation Commission as scapegoats.

“The Commission anticipates that, under currently expected market conditions, (the East Timor option) would generate a return in the order of 7 per cent on a capital investment of \$15.6 billion,” the review states. “This would not be sufficient to meet the industry standard for investment by an international oil company.”

It said the proposal could be achieved only through a direct subsidy of \$5.6bn by the East Timor government or another funder. The clear danger is that if Gusmao continues to insist on a commercially unviable plan, investors will walk away and the resources under the sea will benefit no one.

East Timor depends on oil and gas for about 85 per cent of its revenue, but its only producing oil and gas field, Bayu Undan, will run dry by 2023. The resources in Greater Sunrise are critical to its future.

Australia’s position is that it is “genuinely neutral” about whether the gas is developed in East Timor or Darwin so long as it “maximises” the commercial potential. Gusmao accuses Canberra of colluding with the Greater Sunrise development partners to promote the Darwin option.

If a plant is built in Timor the new division of resources under the treaty will be 70 per cent to East Timor and 30 per cent to Australia, compared with the previous 50-50 split. At current prices this would mean East Timor’s share over the next 35 years would rise from \$20bn to \$28bn while Australia’s share would fall from \$20bn to around \$12bn.

But if the gas were developed in Darwin, Timor would be compensated by getting a higher share of the revenue — 80 per cent compared with 20 per cent for Australia. Having had his own claims so publicly debunked in New York by the Conciliation Commission, Gusmao now faces a grim choice. Proceed with an economically unviable plan or swallow his nationalistic pride and have Timorese gas piped to Darwin?

The one-time resistance leader has ensured that the treaty signed this week was anything but an outbreak of peace.

Cameron Stewart is also US contributor for Sky News Australia