

PM with Mark Colvin

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East Timor offers up funds for onshore gas processing

Sara Everingham reported this story on Tuesday, September 3, 2013 18:26:00

MARK COLVIN: East Timor's government has made a new bid to resolve a dispute over the stalled Greater Sunrise gas project in the Timor Sea. It's offering to put up \$800 million to build a pipeline so the gas can be processed onshore on East Timor's south coast.

Field developer Woodside wants to process the gas on a floating platform at sea. Yesterday the company confirmed it would pursue the floating technology for another major project, the Browse gas fields off the West Australian coast.

Sara Everingham reports.

SARA EVERINGHAM: East Timor's making a new offer to break the deadlock on the Greater Sunrise field.

The petroleum minister Alfredo Pires says the government is willing to put up money to build infrastructure to pipe the gas to East Timor.

ALFREDO PIRES: So what Timor-Leste is saying is that if the pipeline is an issue we're able to take up some of the risks by actually investing in the pipeline.

SARA EVERINGHAM: For years, the development of the Greater Sunrise field has been on hold because of a dispute over how the field should be developed.

The field operators, led by Woodside Petroleum, want the gas processed on a floating platform at sea. It's the option being pursued by Woodside and its joint venture partners for the Browse fields off the West Australian coast, much to the disappointment of the West Australian government.

But East Timor is insisting a pipeline be built to East Timor's southern coast for onshore processing to create jobs and economic benefits for the country.

Alfredo Pires says East Timor is willing to put up \$800 million for the pipeline to make it happen.

ALFREDO PIRES: This is about an investment. That money is not money that's going to go to waste.

SARA EVERINGHAM: The \$800 million would come from East Timor's \$14 billion petroleum fund, which is made up of revenue from the country's finite oil and gas reserves.

Alfredo Pires argues East Timor would make the money back and the investment would yield a higher return than if the money continued to sit in the petroleum fund, which is mostly invested in international bonds.

Mr Pires insists it would be a worthwhile investment.

ALFREDO PIRES: We are not throwing that money away; we will be putting the money into a business that the returns are there.

SARA EVERINGHAM: But resources analyst David Lennox doubts the offer will shift Woodside's position.

DAVID LENNOX: I would suspect that Woodside would be considerate of the idea but it would probably not follow up on doing an on-the-ground LNG (liquified natural gas) in Timor.

SARA EVERINGHAM: Mr Lennox says East Timor's offer won't make a significant change to the economics of the onshore option.

DAVID LENNOX: When you have a look at the overall potential costs for developing Sunrise, to put in an on-the-ground LNG train would probably cost upward of say, \$18 billion at this particular point in time.

Woodside have in fact suggested that they would go down the floating LNG road, which would probably save them something like \$5-6 billion on 18 billion.

So when you put that into comparison of \$800 million, really, the pipeline is not significant in the scheme of the costings of the total project.

SARA EVERINGHAM: And he says Greater Sunrise faces increasing competition.

DAVID LENNOX: We do believe that Woodside is committed to Sunrise at some point in time, but the investment matrix on the project at this point, and with the uncertainty of US shale gas coming in, in the next few years, they will have to tread carefully with developing Sunrise.

SARA EVERINGHAM: East Timor's government disputes Woodside's figures. It's been commissioning studies to show that piping gas to East Timor for processing is a viable option.

Woodside declined to comment on the latest offer from East Timor. In a recent statement the company said: "We value our relationships with the East Timor and Australian governments, and seek tripartite alignment to allow the timely development of this resource for the benefit of all stakeholders."

East Timor and Australia are also in arbitration over the revenue sharing agreement for the Greater Sunrise field. East Timor has accused Australia of bugging East Timorese officials during the negotiations over the agreement.

A date is yet to be decided for the first hearing.

MARK COLVIN: Sara Everingham.

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