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Australia's Woodside opens door to resolving E.Timor gas dispute

By Aaron Sheldrick

TOKYO, Nov 6 2014 (Reuters) - Australia's Woodside Petroleum is in talks with East Timor on building an onshore gas plant, potentially removing one of the major barriers to developing gas fields that could provide billions of dollars to one of the world's poorest countries.

Another major obstacle is a dispute between East Timor and its wealthy neighbour Australia on sharing revenue from the Greater Sunrise fields, which lie between the two countries. Both nations have said they are working to resolve the decades-long row but it's not clear how long they will take.

Woodside Chief Executive Peter Coleman said partners on the Greater Sunrise project, which remains undeveloped 40 years after the gas fields were discovered, were talking to the East Timor government and the discussions included the possibility of building an onshore liquefied natural gas plant in East Timor.

His comment, in an interview with Reuters, was the first public confirmation that the Greater Sunrise partners are not completely wedded to building a floating LNG plant, which has long been their preferred option and which has been opposed by the East Timor government.

"We have been in discussions with the Timorese around different development concepts, both floating and onshore," Coleman told Reuters on the sidelines of an LNG conference.

East Timor's department of foreign affairs declined to comment earlier this week on whether the country was in talks with Woodside, and government officials could not immediately be contacted after Coleman's comments.

In 2010, Woodside executives said East Timorese officials refused to accept their plans for an offshore gas plant, and threw their project documents back in their car.

East Timor has long pressed for onshore processing as pipeline construction, an onshore plant and port facilities would create jobs and jump-start a petrochemical industry in the tiny country of about 1.2 million people.

The Greater Sunrise fields, located 150 km (90 miles) southeast of East Timor, also known as Timor Leste, and 450 km (280 miles) northwest of Darwin, Australia, are estimated to hold more than 5 trillion cubic feet of gas and 226 million barrels of condensate.

That’s roughly the same size as the Bayu Undan gas field in the Timor Sea, which has been East Timor’s main source of revenue since independence in 2002, pouring more than $17 billion into its petroleum fund over the past decade.

ARBITRATION

Australia and East Timor recently agreed to adjourn an international arbitration over their dispute for at least six months to try to resolve their differences directly. The dispute stems from East Timor’s allegations that Australia used underhand tactics, including bugging government offices in the capital Dili, during the treaty negotiations.

Political observers say six months is an ambitious time frame for sorting out issues that have brewed for years.

“I’d be very, very surprised if the two countries could resolve their dispute by April,” said Damien Kingsbury, a professor at Deakin University in Melbourne who has written four books on East Timor.

The Greater Sunrise partners have long said they want to see the dispute between the two countries resolved before they sign off on developing the project, which analysts say could cost $13 billion with a floating LNG plant.

Woodside has previously estimated that an onshore plant in East Timor would cost as much as $5 billion more than a floating plant, as it would involve building pipelines across the Timor Sea trench, seen as technically challenging and expensive.

East Timor last year offered to contribute $800 million towards the cost of a pipeline.

Woodside and its partners would first need to negotiate a fiscal package with East Timor to govern an onshore plant before they launch engineering studies for building a pipeline and onshore plant, Coleman said.

“We have kicked that off. We have set a pretty aggressive timeline to conclude that. We are hopeful in the first half of next year we will have matured that quite a lot,” he said of the fiscal package.

Coleman said Greater Sunrise would not be developed ahead of Woodside’s other big growth project, Browse, which it hopes to sign off on with its partners in 2015.

“No, it won’t come ahead of Browse, but we have always said it should be an attractive development,” he told Reuters.

Greater Sunrise is 33 percent owned by Woodside, the operator, with ConocoPhillips owning 30 percent, Royal Dutch Shell 26.6 percent and Osaka Gas 10 percent.

(Reporting by Aaron Sheldrick; Writing by Sonali Paul; Editing by Raju Gopalakrishnan)