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## East Timor pursues \$7b investment in Woodside-run Sunrise gas project

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Xanana Gusmao, East Timor's chief negotiator on oil and gas, is exploring a bid of up to \$US5 billion (\$7.03 billion) to buy ConocoPhillips' 30 per cent stake in the four-way syndicate and to cover its share of development costs. *AP*

by Michael Sainsbury

East Timor's new government wants to radically reshape an energy syndicate led by Woodside Petroleum that holds the rights to exploiting the undersea gas and oil reserves known as Greater Sunrise.

Xanana Gusmao, the country's chief negotiator on oil and gas, is exploring a bid of up to \$US5 billion (\$7.03 billion) to buy ConocoPhillips' 30 per cent stake in the four-way syndicate and to cover its share of development costs, *The Australian Financial Review* had learned.

The aim is for the impoverished country of 1.3 million people to have more control over the reserves, which have an estimated value of \$US65 billion at current commodity prices, and over where the gas should be piped and processed: East Timor or Darwin.

[Mr Gusmao negotiated a fresh treaty on East Timor's maritime border with Australia](#), signed in March this year. The accord gave his country control over Sunrise and he is now considering using as much as \$US5 billion from the Petroleum Fund to buy into the syndicate and cover development costs, people familiar with the project said.

The fund finances most of the government's \$US1.83 billion-a-year budget, but royalties flowing from existing gas deposits could dry up as early as 2022.

Following the signing of the new treaty, Mr Gusmao excoriated Australia in a public letter, accusing Canberra of colluding with the energy companies to use Darwin to process the gas, a move he claimed would hand Australia \$US35.18 billion in downstream revenues.

Mr Gusmao, former president and prime minister of East Timor and chairman of the Congress for Timorese Reform Party (CNRT) – the senior player in the tripartite Congress for Progress and Change (AMP) that won the May 2018 general election – had made a processing facility on East Timor's remote south coast a key plank in his election program.

## Existing infrastructure

This would require an expensive new pipeline over the deep undersea Timor Trench and funding for a new multibillion-dollar facility. The development syndicate, which includes Shell (28.5 per cent) and Osaka Gas (10 per cent) as well as Woodside (34.5 per cent) and ConocoPhillips (30 per cent), has consistently claimed the Timor option is financially unviable. It wants to use existing infrastructure, including ConocoPhillips' gas processing facility near Darwin.

"Nothing has changed from our perspective," Woodside spokesperson Christine Forster told the *Financial Review*. "[The most recent comments our CEO Peter Coleman has made were in July](#), when he said that the next steps at Sunrise would be for the two governments to agree new PSC [product sharing contract] terms."

To kick-start the project, the East Timor parliament last week approved a drawdown of \$US100 million from the Petroleum Fund for a viability study for a plant. The move comes at a time when prices for liquid natural gas, which are increasingly tracking the oil price, are at four-year highs.

"Timor-Leste's sovereign fund has ticked over to \$US17.1 billion with funds from the existing joint petroleum development area, but Greater Sunrise is critical for the funds for the future development," Swinburne University Professor Michael Leach, an East Timor expert, said.

Mr Gusmao is also in talks with Chinese banks to fund the gas facility. He made several trip to Beijing last year and there have been suggestions that an initial step by East Timor may be for a lower cost "stripping" facility, which does not require an expensive pipeline.

In June, Mr Gusmao appointed Perth businessman James Rhee to assist him in negotiations, the first round of which was held at ConocoPhillips' regional Kuala Lumpur headquarters a month ago.

"Mr Rhee was appointed because Timor-Leste has a poor relationship with the Sunrise partners," a senior government source in Dili told the *Financial Review*.

"The reason we want to do this is to get more control over our resources, an additional revenue stream to royalties and the creation of thousands of jobs."

Mr Rhee is managing director of TL Cement, whose initial project in East Timor has been delayed due to environmental concerns. He has close ties to senior Western Australian Liberal Party figures including former foreign minister Julie Bishop and cabinet ministers Mathias Cormann and Michaelia Cash.

"Unless formally announced by the company, we don't comment on business

development or commercial activity," a spokesperson for ConocoPhillips said.

## Continuing controversy

The fresh push for a gas facility on East Timor comes amid continuing controversy over the original 2006 maritime treaty agreed between the two nations that handed Australia a disproportionate share of Greater Sunrise and other maritime resources, such as fishing rights, than it was entitled to under international maritime law.

Eventually replaced by the new treaty in March, the original was torn up by a United Nations court following a challenge by East Timor in 2014 after revelations the Howard government allegedly eavesdropped on Timorese negotiators came to light in 2012.

Forced into UN arbitration, the Australian government eventually agreed to move the maritime line between the two nations that now splits Sunrise royalties 80/20 between East Timor and Australia. The spying allegations were raised through an official whistleblower process by a former operative of the Australian Secret Intelligence Service, known as Witness K, who ran the operations he has alleged were signed off by former foreign minister Alexander Downer.

The then-attorney-general George Brandis revoked Witness K's passport in 2013 to prevent him giving evidence in The Hague; this year his replacement, Christian Porter, signed off on the prosecution of Witness K and his lawyer, former ACT attorney-general Bernard Collaery, on charges that carry a potential 10-year jail sentence.

Mr Collaery said he was unable to comment.

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