

East Timor stake buy brings Sunrise gas field a step closer

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By Sonali Paul

MELBOURNE, Oct 2 (Reuters) - East Timor's \$350 million purchase of ConocoPhillips' stake in the Greater Sunrise gas field has eliminated at least one hurdle to its long-delayed development, but analysts say any go-ahead may be at least a decade away.

ConocoPhillips said on Monday it had sold its 30 percent stake in the project to East Timor, allowing the tiny nation to push for development of the field, discovered in 1974 but held up as it straddles the maritime border between Australia and East Timor.

"Although we don't think a Timor Leste-based option is the most economic development, we respect their preference and their drivers for doing that and we've agreed to make the sale," ConocoPhillips vice president Kayleen Ewin told Reuters.

"What we really hope is that allows the Timor government to progress their vision for the development of Sunrise on their south coast."

The Greater Sunrise partners, led by Australia's Woodside Petroleum along with ConocoPhillips, Royal Dutch Shell and Japan's Osaka Gas, have long argued the Timor option would be unprofitable.

Under an agreement signed in March, East Timor will receive 70 percent of the royalty revenues from Sunrise if the gas is piped to its shores or 80 percent if piped to Australia.

An independent report to the United Nations said East Timor would have to invest \$7.1 billion for an LNG project on its shores and found that with a tolling fee of \$2 per million Btu, the Timor government and Timor LNG owner would reap a total of \$15.2 billion.

In contrast, the country would reap \$25 billion from the Darwin option, the report said.

Nevertheless the Timor government wants the gas to come to its shores as a way to diversify its economy, one of the world's poorest, using the gas to develop new industries and expertise.

The need is urgent as the government's main source of revenue, the Bayu Undan gas field run by ConocoPhillips, is set to run dry by 2022.

"Timor-Leste looks forward to working with the other joint venture members to successfully develop the project," the country's former president Xanana Gusmao, who led the talks with ConocoPhillips, said in the statement released by the U.S. firm.

Analysts remain skeptical about prospects of the field being developed within the next 10 years, as the parties still need to negotiate fiscal terms and tolling agreements.

However Credit Suisse analyst Saul Kavonic said if other parties get involved, such as the Chinese and Koreans, with further stake sales, it might go ahead.

"While it remains an off-chance, Xanana Gusmao and the Timorese have a stubborn habit of fighting to make 'off-chances' become a reality," Kavonic said.

ConocoPhillips said its sale is expected to close in the first quarter of 2019, once funding is approved by East Timor's parliament and the partners decide whether to exercise their pre-emption rights.

Woodside, Shell and Osaka Gas said they would work with East Timor to progress the project, including production sharing contracts and fiscal terms, but made no comment on their preferred development option.

Osaka Gas said it has no plans to buy an additional stake, but Woodside and Shell made no comment on their pre-emption rights.

The Sunrise and Troubadour gas fields, together known as Greater Sunrise, hold around 5.1 trillion cubic feet of gas and about 226 million barrels of condensate.