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Greater Sunrise: Rescue or Fiscal Ruin?

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With the Petroleum Fund projected to deplete by the late 2030s, Timor-Leste does not have the luxury of waiting. Credit: Google Gemini

Running Out

Timor-Leste's sovereign wealth fund is depleting as its primary gas field shuts down, and the replacement project remains undeveloped. The country's ownership stake may make the fastest route to fiscal failure the same route that promises rescue.

Since securing independence from Indonesia in 2002, Timor-Leste has funded statecraft largely from the output of a single offshore gas field, known as Bayu-Undan. For two decades, the gas field provided vital revenue to the state until it ceased production in June 2025.

Petroleum royalties had been channelled into a sovereign wealth fund modelled on Norway's, intended to outlast the resource itself. Yet, Timor-Leste's petroleum fund is valued at just US$18.95b and covers approximately 73% of the state budget.

Compounding the sustainability of the fund are the annual withdrawals the country has made, which consistently exceeds the 3% spending guideline established at the fund's creation in 2005. As a result, analysts have projected depletion by the late 2030s if the current trends continue.

The government's sole replacement plan and its hopes for a recovery in funds are entirely dependent on the prospective yield of Greater Sunrise, an undeveloped offshore field that has been under negotiation for more than two decades and has yet to reach concept selection.

The structural question for Southeast Asia is whether a country of 1.4 million people, freshly seated in ASEAN, can compress a multi-decade gas project into a fiscal window of less than 10 years in spite of the inconvenient timetable and the unorthodox dynamics of Timor-Leste's governance of its natural resources.

Sovereign Equity Trap

Greater Sunrise contains gas worth an estimated US$50-75b over a 30-year production life. However, the ownership structure is the heart of the problem.

TIMOR GAP, the state energy company, holds 56.56% of the venture after buying out Shell and ConocoPhillips for US$650 million in 2018. Woodside Energy holds 33.44% as operator, and Osaka Gas holds 10%.

A sovereign majority stake in a project of this scale is unusual, and the financial exposure it creates has received remarkably little analytical attention.

TIMOR GAP carries no balance sheet independent of the Petroleum Fund. Its share of construction equity, its exposure to the cost overruns that have averaged 30-50% on comparable Asia-Pacific gas projects, and its working capital obligations between first gas and positive cash flow will all be financed from the fund the project is meant to replace. This reflects the relative lack of capital the country can expend from other sources.

The result is a bind. Approving Greater Sunrise on current terms accelerates drawdowns through equity payments and likely cost overruns. Delaying approval extends the period during which the fund must finance state operations with no replacement revenue arriving. Both pathways consume time and money.

Prime Minister Xanana Gusmão's insistence on a pipeline to Timor-Leste's south coast – with onshore LNG processing rather than floating LNG or facilities near Darwin – follows directly from this fiscal logic. Onshore processing captures the processing fees, condensate revenue, helium income and construction stimulus that the alternative options would typically route to nearby Australia.

Without the full processing chain on Timorese soil, TIMOR GAP's controlling stake leaves Dili with only its share of upstream production, an outcome that does not justify the financial exposure already taken on.

November 2025 Agreement

The Cooperation Agreement signed in November 2025 between the Ministry of Petroleum and Mineral Resources and Australian petroleum company Woodside – framing a Timor-based LNG concept of approximately 5 million tonnes per annum – marks the most substantive forward movement in years. It remains a study framework.

Concept selection, front-end engineering, environmental review, fiscal terms, and financing all stand between the agreement and a final investment decision—comparable Asia-Pacific gas projects have averaged five to seven years to clear those stages.

The 2032 to 2035 first gas window assumes favourable conditions, such as the hopes that a deepwater pipeline crossing the Timor Trough proves feasible at an acceptable cost, and that LNG market conditions in the early 2030s justify a US$7.6b construction commitment.

Woodside's caution is commercially rational. The company faces a sovereign majority partner without independent financing capacity, an unprecedented pipeline route, a host government with shrinking fiscal headroom and an alternative project portfolio in Australian waters carrying lower political risk.

The cooperation agreement preserves Woodside's optionality without committing capital. The marginal cost of continued study is low, and the option value of waiting for better terms or a different government in Dili is substantial. This has created an uncomfortable asymmetry between sovereign urgency on the part of Timor-Leste and commercial patience from its operating partners.

Growth Model That Did Not Arrive

The 2025 budget of approximately US$2.6b exceeded the recommended draw from the fund by more than double. The 3% rule rested on two assumptions: that the fund's investment returns would sustain the draw indefinitely and that growth in the non-oil economy would expand the tax base sufficiently to substitute for petroleum revenue. Neither has held.

Portfolio returns have been weak, and non-oil growth has not produced a tax base capable of funding the state. The 5% average withdrawal rate since 2008 reflects a growth model that did not arrive.

The demographic position compounds the problem. Timor-Leste's median age is 20, and roughly half of citizens aged 18 to 34 planned to work overseas in 2025. Remittance flows from this migration may stabilise household consumption but lack the ability to finance state functions, capitalise domestic firms, or build the institutions and infrastructure any post-petroleum economy would require.

Limits of Regional Backstop

Timor-Leste joined ASEAN in October 2025 as the bloc's 11th member, an accession that carries political weight but offers no financial backstop. Meanwhile, ASEAN was built on non-interference and consensus, with no shared budget, no transfer mechanism and no precedent for intervening in a member's sovereign wealth management.

A response to a Petroleum Fund depletion event, thus, would take the form of bilateral assistance from individual members, not institutional rescue.

The regional gas picture carries more weight. Indonesia, Thailand and the Philippines are all confronting domestic gas declines and rising LNG import requirements. Malaysia and Indonesia, the bloc's two established LNG exporters, have limited spare capacity for new export contracts.

A 5 million tonne per annum facility in Timor-Leste would represent a meaningful new regional supply source if it materialises on schedule. Its delay or absence would be felt across the early 2030s, with the most direct consequences for Indonesia, which shares both a land border and a complex maritime boundary with Timor-Leste.

China

President José Ramos-Horta has stated publicly that if Woodside does not move forward, Chinese or Kuwaiti companies could develop the field. In September 2023, Gusmão signed a Comprehensive Strategic Partnership with Beijing covering military cooperation and investments linked to the Belt and Road Initiative (BRI).

The China angle can be argued as a diplomatic instrument to pressure Woodside and Australia, and Ramos-Horta has since clarified that Timor-Leste prefers an Australian partnership.

The strategy of using China as leverage carries an analytical contradiction. The credibility of the China option depends on signalling that a Chinese-led development is genuinely possible.

That signal raises Woodside's perceived political risk, which raises the returns the company requires from the project but which also pushes the final decision further out. The leverage intended to accelerate Australian commitment has the opposite effect.

For ASEAN partners watching, the China option also raises a quieter question about external power involvement on the bloc's southern maritime periphery, an arena that has drawn far less attention than the South China Sea and carries no less significance for long-term regional architecture.

Uncertain Dawn

Timor-Leste's situation is fundamentally a timing problem with a sovereignty trap embedded inside it. Greater Sunrise revenue, in the most optimistic scenario, would only arrive no earlier than 2032, and the ownership structure meant to ensure sovereign control of the resource may instead accelerate the depletion of the fund that controls it.

The November 2025 agreement is a necessary step. The disputes still ahead remain decision points at which the project can collapse. Though the resource base is sufficient, the available time is short. The consequences of a fiscal failure on ASEAN's eastern frontier will extend well beyond Dili.

The views expressed in this article are the author's own.

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