EAST Timor has rejected a proposal by a Woodside-led consortium to export gas from the Timor Sea using what would be one of the world’s first floating liquified natural gas platforms, putting the multibillion-dollar Greater Sunrise joint venture in peril.

The rejection came after Woodside and its joint-venture partners, which also include ConocoPhillips, Shell and Osaka Gas, said they had decided to build the controversial platform after rigorous commercial and technical evaluation, which included the options of building onshore at either Darwin or East Timor.

After meetings that stretched into last night, East Timor government spokesman Agio Pereira repeated the oft-stated position that a pipeline must be built to deliver the gas to East Timor, where it must be processed.

The East Timorese government had said repeatedly it would not approve either a floating platform or a pipeline to Darwin, the only two options the consortium was considering.

Prime Minister Xanana Gusmao last week reportedly said Australia had made threats to East Timor over its stand.

East Timor and Australia will each receive 50 per cent of the royalties.

Giant floating LNG plants carry certain risks given they are yet to be tested anywhere in the world. But the method is being seen as advantageous for smaller projects or for gasfields that are too far from shore.

Analysts say developing Sunrise as a floating LNG project would mean first gas was unlikely until after 2018, with a final investment decision to be made in 2012.

In a statement issued yesterday, Shell was quick to trumpet that Sunrise would be its second floating LNG project; its first is likely to be its Prelude proposal, 500 kilometres from Broome, in the Timor Sea. But first LNG from Prelude has also been delayed to about 2015.

Shell Australia’s executive vice-president, upstream, Ann Pickard, said a floating platform for Sunrise made the most sense.

"Sunrise is a significant resource, but is remote and technically challenging, so Shell’s FLNG technology provides the best technical and commercial development option," she said.

Woodside will be the operator of Sunrise and holds a 33.4 per cent interest, while the other partners will have lesser interests - ConocoPhillips (30 per cent), Shell (26.6 per cent) and Osaka Gas (10 per cent).

The floating LNG option would produce up to 4 million tonnes of LNG a year along with condensate and LPG.

Source: The Age