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Greater Sunrise stalled as revenue treaty torn up

An FPSO in the Timor Sea. Gas from Greater Sunrise could be shipped to Australia for export. (Woodside)

Damon Evans / Denpasar

THE TERMINATION OF a revenue-sharing treaty between Australia and East Timor to develop the Woodside-operated Greater Sunrise gas fields leaves the project indefinitely stalled.

Ending years of opposition, Australian Foreign Minister Julie Bishop said on 9 January that Australia would accept Dili's formal notice to tear up the 2006 Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS). Under CMATS, revenues from the potential development of Greater Sunrise would have been split equally between the two countries even though 79.9% of the hydrocarbon resources lie under Australia's seabed. East Timor's entitlement to potential revenues from the project will now revert to 18.1% from 50% as initially agreed under a unitisation agreement signed in 2003.

The CMATS treaty also put a 50-year moratorium on negotiating permanent maritime boundaries, which the two countries have previously failed to agree on. The aim was to create a stable investment environment for the oil companies involved in developing Greater Sunrise, which include ConocoPhillips, Shell and Osaka Gas, to commercialise the fields.

East Timor and Australia remain engaged in a conciliation process to resolve their differences over maritime boundaries, which was started in August 2016 under the UN Convention on the Law of the Sea. In a joint statement with the UN released on 9 January, the pair agreed to negotiate permanent boundaries under the guidance of the conciliation commission over the course of this year.

Australia is obliged to negotiate maritime boundaries under the commission, but this does not mean the two countries will come to an agreement, Rebecca Strating, an expert in Southeast Asian politics at La Trobe University in Australia, told *Interfax Natural Gas Daily*.

"I think negotiated boundaries are still a long way off. I suspect Australia will continue to prolong the negotiations after the recommendations [from the commission] are handed down. This is especially the case given the lack of time [East Timor] has to resolve the dispute," Strating added.

East Timor could be bankrupt as early as 2027, putting pressure on the Southeast Asian nation to find new sources of income. Bayu-Undan, its only producing oil and gas field, is expected to run dry by 2022.

East Timor wants to extend its eastern lateral maritime boundary so it controls all of Greater Sunrise, but this would encroach on Indonesia's exclusive economic zone. Waters covering nearly 80% of Greater Sunrise are under Indonesian jurisdiction.

Australia obtained rights to the seabed over Greater Sunrise via treaties with Indonesia signed in 1972 and 1997. East Timor is effectively hoping to negotiate boundaries with Australia inside Indonesia's

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water column. "I seriously doubt that Australia would concede all of Greater Sunrise, and even if it did Indonesia would need to be involved in agreeing on trilateral junction points, opening up space for it to become a claimant," said Strating.

"One Indonesian official declared that [the country] wouldn't get involved, but I am highly dubious – if an opportunity arises to get more maritime territory, it most likely will take it," she added.

All or nothing

East Timor's government, which hopes to be re-elected in 2017, wants 100% of Greater Sunrise, Vicente Maubocy, a Dili-based businessman and senior member of opposition party Frenti-Mudança, told *Interfax Natural Gas Daily*. However, he sounded a note of caution: "I don't know if Indonesia is willing to release rights [to its territorial waters] to East Timor," he added.

By taking full control of Greater Sunrise, the government hopes to persuade investors to build an LNG export plant in East Timor as part of its wider plans to develop a petroleum industry. But analysts believe it would be more profitable to process the gas in Northern Australia, where export facilities already exist.

Peter Strachan, an independent oil and gas analyst based in Perth, is doubtful any investors will commit to piping the gas to East Timor across a technically tricky seabed trench that reaches depths of nearly 4,000 metres.

He estimates it would cost more than $24 billion to build the facilities to meet East Timor's ambitions. Strachan calculates the government take would be $14 billion over the life of the project.

"If East Timor had been more commercial, this project would have been up and running by 2011 and the nation would have seen large amounts of royalty payments already. But it chose to stand on the moral high ground and remain poor, under the guidance of UN advisers and other carpetbaggers," he added.

Matt Howell, an Australasian oil and gas expert at energy research firm Wood Mackenzie, told *Interfax Natural Gas Daily* that Greater Sunrise "is one of the best remaining gas resources in the region and development would have progressed by now if not for the political uncertainty".

"In terms of the treaty, given the current situation between Australia and East Timor, it is unsurprising that it has been voided. We don't expect Sunrise to be developed until the late 2020s in any case, so CMATS being terminated is unlikely to shift the dial on this," he added. ■

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Energy front-month futures

	Closing date	Close	High	Low	% change
Brent Crude, $/bbl	10 Jan	53.64	55.36	53.58	-2.37
WTI Crude, $/bbl	10 Jan	50.82	52.37	50.71	-2.19
Henry Hub, $/MMBtu	10 Jan	3.28	3.33	3.11	5.64
NBP, p/th	10 Jan	54.53	55.10	53.43	5.09
TTF, €/MWh	10 Jan	19.91	19.91	19.91	3.78
Gaspool, €/MWh	10 Jan	19.39	–	–	3.57
NCG, €/MWh	10 Jan	19.60	–	–	2.96
CSX Coal, $/t	10 Jan	55.00	–	–	-0.18
Newcastle Coal, $/t	10 Jan	81.50	–	–	-0.67
South China Coal, $/t	10 Jan	70.50	–	–	-0.77

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Trending

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2. LNG trucking plans are heating up in Italy
3. ONGC buys 80% stake in Deen Dayal West fields for $1 bln
4. Legal challenge marks setback for OPAL
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