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Twist of irony as East Timor eyes LNG imports

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1/04/2021 by Damon Evans

A mural of the East Timorese flag on a wall in Dili, the capital of East Timor. Photo by Damon Evans.

East Timor is considering building a liquefied natural gas (LNG) import terminal and converting oil-fired power plants to gas in an effort to slash energy supply costs and cut greenhouse gas emissions. The move seems slightly ironic given the country advocated developing an LNG export complex for much of the past decade.

The national oil company, TimorGAP, on 30 March awarded Wood Group Kenny a $721,000 contract to carry out a six-month feasibility study into the proposed LNG import terminal.

The Southeast Asian nation, also known as Timor Leste, is considering converting its three oil-fired power plants that run on Wartsila generators to natural gas. Currently, East Timor imports expensive supplies of diesel fuel for the power plants, which has led to high electricity costs for consumers.

TimorGAP said converting the power plants to gas would make significant cost savings on fuel supply and reduce greenhouse gas emissions. Analysts believe importing LNG could half fuel supply costs versus diesel fuel.

East Timor could develop a small-scale floating storage regasification unit (FSRU) ti import LNG within a short space of time if the government continues supporting the project.

TimorGAP said it is also in talks with the U.S. embassy for potential support through its Transaction Advisory Fund (TAF) programme for funding and delivery of the environmental impact assessment and surveys for an LNG Import Terminal.

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It is ironic that East Timor is now considering buying gas from overseas and importing it as LNG after rejecting an offer in 2018 to develop its Greater Sunrise gas field via the Darwin LNG export complex in Northern Australia. That deal, also proposed shipping some gas from the Sunrise field to East Timor for domestic use, while exporting the bulk of the reserves as LNG to international markets using an existing terminal in Darwin.

As part of discussions overseen by a UN Conciliation Commission in 2018, a joint venture that included Shell, ConocoPhillips and Woodside Energy, offered the Timorese a lucrative economic deal and incentive package to develop Sunrise gas through Darwin. East Timor’s previous government insisted that Greater Sunrise should be developed as a greenfield project on its shores, which independent experts under the commission and the joint venture said was commercially unviable. ConocoPhillips and Shell have since sold their stakes in the Sunrise field to TimorGAP.

In another twist of irony, Santos, which now operates the Darwin LNG terminal, earlier this week approved the development of its Barossa field. The Barossa development will supply replacement gas for the 3.7 million tonnes per year Darwin LNG (DLNG) export plant, which is currently supplied by the ageing Bayu-Undan field in the Timor Sea.

Santos said in a statement that the $3.6 billion Barossa development is one of the lowest cost, new LNG supply projects in the world, that will give Darwin LNG a competitive advantage in a tightening global LNG market.

“Barossa is an economically attractive backfill investment because it can utilise the existing DLNG infrastructure. As a result, it can compete with greenfield global projects that need to construct expensive new LNG infrastructure,” said energy research company Wood Mackenzie.

The Greater Sunrise field would have been a much better backfill option for Darwin LNG. If East Timor’s previous government had chosen to monetise Greater Sunrise they would not now be exploring buying LNG from overseas. They would also not be sitting on Greater Sunrise, which is arguably a stranded asset. Woodside, which operates Sunrise, last year valued the project at zero after a write down.

Positively, East Timor’s current government appears to be taking a more pragmatic approach to its energy sector.

The country’s minister for petroleum and mines, Victor Soares, who assumed his position last year, questioned the previous government’s development plans for an LNG export plant and associated infrastructure, to process oil and gas from the undeveloped

Greater Sunrise fields, after discovering the economic analysis behind the proposed schemes was inaccurate.

Indeed, analysis from the UN commission in 2018 concluded that the Timorese proposal for a Timor LNG export project could only be commercially viable with a direct subsidy of $5.6 billion from the government or another funder.