

# Darwin beats Timor for site of LNG plant

Matt Chambers | *July 31, 2008*

**WOODSIDE Petroleum has ruled out a \$15 billion East Timor liquefied natural gas export plant to process output from its Greater Sunrise fields.**

East Timor's natural resource secretary of state said the decision would be a "major problem" for the Government.

A Woodside spokeswoman said yesterday that the Perth company had told East Timorese authorities a local plant was not commercially attractive and it would instead focus on piping gas to Darwin or building a floating LNG plant. East Timor Natural Resources State Secretary Alfredo Pires said he had not been informed of the decision and the Government, which had to approve the Sunrise project, would still push hard to for an East Timor plant.

"If there is a decision of that nature it will be a major problem for us," Mr Pires said yesterday after being informed of Woodside's statements.

"To my understanding we have an agreement that no decision on a site shall be made until early next year."

Mr Pires said he was more than just hopeful an LNG plant would be built in East Timor. When asked if he was instead demanding, he said "yes".

"We think it is only fair that the gas pipeline comes to Timor Leste," he said. "Timor Leste's needs have to be taken into account this time round."

After delaying the project since 2004 until fiscal and legal certainty could be obtained from East Timor, Woodside late last year restaffed the project.

That was done after East Timor ratified a treaty splitting royalties from the project 50:50 with Australia, an improvement for the smaller nation on a previous agreement. The Greater Sunrise fields straddle the boundary of the Joint Petroleum Development Area of the Timor Sea. Woodside had previously said the East Timor plant was the least preferred of the three options and yesterday said it was no longer being considered.

"Floating LNG is the most attractive in-field option and Darwin is the most commercially attractive onshore option for Sunrise," a Woodside spokeswoman said.

"The Sunrise joint venture will not conduct any further work on the Timor Leste option. The extensive work that we've done shows it carries the highest capital cost, longest schedule and overall the most risk of the remaining options."

While both the Timorese and Australian governments need to approve the project, Woodside is pointing to treaty arrangements that specify the reservoir needs to be developed to the best commercial advantage in accordance with best oilfield practice.

The Woodside spokeswoman said the company planned to make a final decision on the best way to develop the field in the first half of next year with a view to a final investment decision later in the year, after Australia and East Timor signed off.

Woodside has not said how much the project is expected to cost, not having settled on a site, but Mr Pires has said developing the project with an East Timor plant would cost \$15 billion.

Analysts have suggested it would cost a little less using floating LNG or a Darwin plant.

Mr Pires has reportedly employed the services of Malaysia's Petronas to conduct a study on piping the gas to East Timor.

East Timor is closer to the field than Darwin, but the 184 kilometre pipeline would have to cross a 3.3km deep trench in a world first that Woodside describes as having high technical and seismic risk and high cost.

Political risk is also a big factor for the project.

The Darwin option, which would require a 530km pipeline, would hook up to a plant next to the ConocoPhillips LNG plant at Wickham Point.

ConocoPhillips and Shell are partners in the Sunrise project.

The untested floating LNG plant, while also a world first, would avoid pipeline costs and might ease the political problems of locating the plant in Australia.