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Features and insight on emerging gas markets

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Australia and East Timor make Sunrise breakthrough



The Darwin LNG plant. (ConocoPhillips)

Damon Evans /
Denpasar



EAST TIMOR AND Australia have agreed on the central elements of a permanent maritime boundary in the Timor Sea. The move is part of a conciliation process to settle their territorial dispute, which has stalled development of the Greater Sunrise gas field.

“The parties’ agreement constitutes a package and, in addition to boundaries, addressed the legal status of the Greater Sunrise gas field, the establishment of a special regime for Greater Sunrise, a pathway for the development of the resource, and sharing of the resulting revenue,” the Permanent Court of Arbitration in Copenhagen said in a statement on Friday.

Few details were announced about the new arrangements as some issues are still being resolved, but a deal will be formalised and made public in October, the court added.

In the meantime, the Australian and East Timorese governments have said they are starting to engage with other stakeholders in the Timor Sea about the implications of the agreement – in particular regarding Greater Sunrise, which is operated by Woodside and straddles the Australian and East Timorese maritime border.

“We hope that this is the first step towards providing the fiscal and regulatory certainty required to develop Greater Sunrise for the

benefit of all parties,” a spokesperson for Woodside told *Interfax Natural Gas Daily*.

A spokesperson for ConocoPhillips, a partner in the Sunrise joint venture, told *Interfax Natural Gas Daily* that the project offers a development opportunity that could benefit all parties. “We look forward to working with both nations over the coming months to better understand the implications of their agreement,” added the spokesperson.

The termination in January 2017 of a revenue-sharing treaty between East Timor and Australia to develop Greater Sunrise, which was designed to provide fiscal and regulatory stability for investors, appeared to leave the project indefinitely stalled.

Under the 2006 Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS), revenue from the development of the field – which holds more than 142 billion cubic metres of gas reserves – would have been split equally between the two countries.

“Chances are the new agreement will be 50/50, as it was under CMATS – or slightly in favour of East Timor if the gas is processed in Darwin, to compensate for local taxation in Australia,” Jeffrey Feynman, an independent oil and gas consultant who has carried out studies in East Timor, told *Interfax Natural Gas Daily*.

Backfill options

ConocoPhillips has said that the owners of Darwin LNG in northern Australia – which include Santos, Inpex, Eni and Tokyo Gas – are assessing several options to backfill the LNG plant from 2023. By that time, the plant’s current offshore gas supply from the Bayu-Undan field, which lies in the joint petroleum development area (JPDA) between Australia and East Timor, is expected to be exhausted.

The logical and most cost-effective backfill supply option would be Greater Sunrise, analysts told *Interfax Natural Gas Daily*. But the legal



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Woodside's North Rankin platform. (Woodside)

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dispute between Australia and East Timor has stalled any progress on development of the field.

As a result, Conoco has said its proposed Barossa project off northern Australia is the leading candidate to backfill the plant's sole 3.7 mpta train. The United States-based major is targeting an FID in late 2018.

Wood Mackenzie has said Greater Sunrise would be a cheaper option but tougher commercially with regards to the JPDA negotiations, which would take longer to agree.

"It's a case of time versus cost," said the energy research company, adding that Barossa would require subsea wells tied back to an FPSO, with estimated total development costs of \$6 billion. But offshore costs are falling, and the economics

Further reading

AUSTRALIA E&P

East Timor's last chance for Greater Sunrise

East Timor is running out of time to develop its Greater Sunrise gas fields, as potential investors consider alternatives.

AUSTRALIA E&P

Signs East Timor softening Greater Sunrise stance

East Timor has insisted that the Greater Sunrise fields be developed on its shores, but this commitment may be wavering.

could improve. Analysts told *Interfax Natural Gas Daily* it would cost just \$3-4 billion to backfill Darwin LNG with gas from Greater Sunrise as the field could be connected to Bayu-Undan's existing infrastructure via a short spur pipeline.

"Sunrise gas is cleaner with high condensate, so it would be a better bet. Barossa [gas], which is high in carbon dioxide, would be better suited to methanol or fertiliser production," Peter Strachan, an independent oil and gas analyst based in Perth, told *Interfax Natural Gas Daily*. However, he cautioned it would be unlikely that both projects could be developed as LNG at this point. ■

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Energy front-month futures, 1 September

	Close	% change
Brent Crude, \$/bbl	52.75	0.71
WTI Crude, \$/bbl	47.29	0.13
Henry Hub, \$/MMBtu	3.07	0.99
NBP, p/th	44.58	-0.73
TTE, €/MWh	16.28	0.25
Gaspool, €/MWh	16.36	-0.24
NCG, €/MWh	16.66	0.27
CSX Coal, \$/t	57.95	0.00
Newcastle Coal, \$/t	95.80	0.52
South China Coal, \$/t	85.30	0.59

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LNG in shipping needs all hands on deck

LNG as a marine fuel will sink without a trace unless the gas industry builds more bunkering facilities – especially in Asia.