

East Timor: Political tensions mount over Greater Sunrise gas pipeline

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A long-standing dispute over the route of a proposed oil and gas pipeline and the location of a refinery has triggered further turmoil in the unstable coalition government in East Timor. The facilities are to service the multi-billion dollar Greater Sunrise fields in the Timor Sea.

In November, President Jose Ramos-Horta convened a meeting with Prime Minister Xanana Gusmao and Mari Alkatiri, leader of the opposition Fretilin party, after which he announced that Alkatiri would "manage and coordinate" the government's oil and gas negotiations. The Greater Sunrise fields contain an estimated 300 million barrels of light oil and 2.53 trillion cubic metres of natural gas. The value was estimated at \$US90 billion earlier this year before prices fell.

Alkatiri's appointment sparked uproar among anti-Fretilin elements within Gusmao's CNRT party. Not even the prime minister's public declarations of support for Ramos-Horta's decision quelled the dissent. On December 9, Alkatiri withdrew as chief negotiator after Gusmao, no doubt concerned over his government's stability, appeared to withdraw his backing for the Fretilin leader.

The episode cast a sharp light on the degree to which the Greater Sunrise issue now dominates both Dili politics and relations between the Timorese and Australian governments. The Sunrise liquid natural gas project is headed by Australian firm Woodside Petroleum.

The vast majority of the Greater Sunrise resources should belong to East Timor. Successive Australian Labor and Liberal governments have engaged in an illegal resource grab, first collaborating with the Indonesian Suharto regime in carving up Timor's oil and gas and then, after 1999, bullying and blackmailing "independent" East Timor into ceding control.

After the former Howard government threatened to cut off aid and sabotage all oil and gas production, Dili conceded 80 percent of the Greater Sunrise fields to Australia and agreed to drop its border claims for at least 50 years, by which time the reserves will likely be entirely depleted.

Under accepted international law, the maritime border between Australia and Timor ought to be set at the mid-way point, which would have left just 20 percent of the Greater Sunrise reserves in Australian territory. But the Timorese government had no legal recourse after the Howard government withdrew from the International Tribunal for the Law of the Sea in 2002—a move which the Labor government of Prime Minister Kevin Rudd has made clear it has no intention of reversing.

The outstanding question remains where the location of the liquefied natural gas (LNG) refining plant processing the Greater Sunrise reserves is to be located—in Timor or Australia. Under the existing licensing arrangements, the Timorese and Australian governments must sign an agreement by 2013. According to one report, whichever country processes the gas stands to gain an additional \$3.6 billion in tax revenue and billions more in export revenue.

To pipe the gas to Timor would require the construction of a 180-kilometre pipeline, while to get it to Darwin a 600-kilometre pipeline would be necessary. Nevertheless, Woodside Petroleum announced last July that it was ruling out building the plant in Timor on the grounds that the proposed route traversed a deep trench that made construction too risky and expensive. Woodside insisted it would locate the refinery either in Darwin or on an offshore floating facility.

The announcement evidently came as a shock to the Timorese government. It quickly commissioned its own feasibility study, now being carried out by US piping specialist DeepGulf. Referring to the trench supposedly

separating Timor from the Greater Sunrise fields, DeepGulf's president Mark Mozkowski said: "There isn't much of a slope at all, contrary to what people say." He told the *Age* that the only information previously available on the sea bed was "soft and sloppy" satellite images, and concluded that his company's preliminary investigations indicated that a pipeline was feasible.

President Jose Ramos-Horta launched a sharp attack on Woodside in an address in October to the parliament in Australia's Northern Territory. "The pipeline should go where it is the shortest route and the cheapest," he said. "Woodside seems to think it should be based on patriotic reasons, because Woodside is Australian it should come to Darwin..."

"Timor-Leste cannot and will not bow to pressures from the Woodside CEO millionaires. We will not bow to unilateral decisions made by these infamous CEOs who mismanaged world multinationals. I, for one, prefer to forgo Greater Sunrise than surrender to the dictates of a bunch of oil executive millionaires."

While the Australian government publicly maintains that the pipeline decision is for Woodside to make and ought to be determined on logistical and commercial grounds, there is no doubt that it is in full agreement with Woodside's decision to rule out East Timor as the refinery's location.

At stake is not merely the enormous additional oil and gas revenue but also Canberra's regional geo-strategic standing. Like the Middle East, the exploitation and control of energy resources is bound up with strategic rivalries. The Australian government oversaw Timor's transition to so-called independence in order to ensure its status as a subservient client state. About 750 Australian soldiers remain stationed in the country.

Canberra's central goal in Timor, as throughout the South Pacific, is to maintain Australian imperialism's dominance by shutting out all rival powers. Control of the impoverished country's natural resources is an essential component of this strategy, and ensuring that the Timor Sea's gas is piped south to Australia is one means of bolstering its position.

To Canberra's consternation, the Timorese elite has attempted to utilise its oil and gas to gain greater leverage by cultivating ties with several Asian powers. Timor is conducting a joint feasibility study with Petronas, Malaysia's national oil company, for a LNG plant and petrochemical industry. Alfredo Pires, secretary of state for natural

resources, declared earlier this year that he was confident of the prospects for such investments given China's expressions of interest in buying gas directly from Timor.

South Korea is also involved; a consortium of Korean corporations has been mapping the Timorese sea bed. And in October Timor signed a memorandum of understanding with South Korea, granting it preferential access to the Greater Sunrise gas. The deal was Timor's first energy pact made with another country since formal independence in 2002.

Alkatiri first offered his oil and gas negotiating services to the government last August, following Gusmao's discussions with Australian Prime Minister Kevin Rudd in Canberra. The Fretilin leader accused Gusmao of being unfamiliar with the legal and technical aspects of the Greater Sunrise negotiations and of not pressing Timor's case hard enough.

Alkatiri had played the central role in earlier negotiations with the Australian government concerning the newly recognised nation and the outstanding questions of ownership and control over the Timor Sea's resources. Despite the former Howard government's ferocious campaign of blackmail and intimidation, Fretilin forced Canberra to make a number of unwelcome concessions. This was a key reason why the Australian government launched the "regime change" operation against the Alkatiri administration in 2006 that involved the deployment of hundreds of Australian troops that continue to occupy the country.

Having expended considerable resources engineering the elevation of Ramos-Horta and Gusmao, both of whom are regarded as far more sympathetic to Canberra's interests than Fretilin, the Australian government would have regarded with alarm the prospect of again facing Alkatiri across the negotiating table, this time over the lucrative Greater Sunrise project. There is every possibility that Australian officials exerted behind the scenes pressure on the Gusmao coalition government to overturn the appointment.



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