The Secretary of State for the Council of Ministers and
Official Spokesperson for the Government of Timor-Leste
Ágio Pereira

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MEDIA RELEASE

Shell's conflict of interest in Greater Sunrise excludes them from development dialogue

Cost overruns, non-compliance issues and poor management in the development plans for Greater Sunrise by Australia's Woodside has seen the company this year take a back seat to JV partner Shell, with Shell now taking the front line in a media campaign to push their costly FLNG technology.

Observers note, Royal Dutch Shell PLC is not only a JV partner in Greater Sunrise with a 26.6% stake, but also boasts being a 'pioneer' by leading 'a revolution' as producer of the world's first floating liquefied natural gas facility. Despite analysts serious doubts to costs, scientific readiness, and applicability to the field for use of the FLNG technology, Shell, like Woodside, has adopted a bulldoze PR campaign to coerce Timor-Leste and Australian citizens to pay for the technology. With a commercial conflict of interest that dates back more than a decade, Shell should be exempt from the debate to ensure integrity of process.

Ágio Pereira Secretary of State for the Council of Ministers noted "Conflict of interest is a serious challenge within the petroleum industry, there needs to be absolute transparency in this debate. Shell cannot independently advocate for the best commercial advantage of the development of Greater Sunrise when Shell has a commercial conflict of interest. Shell decided on the FLNG option and then announced the order of the FLNG units before the debate had ever begun.'

Prior to any of the treaties being signed between Timor-Leste and Australia, in mid-2001 and before Timor-Leste had even reached full independence in 2002, Shell's Development Submission 51 to the Australian Joint Standing Committee on Treaties confirmed a floating LNG development had been selected as the best option for Greater Sunrise; informing the Committee over $6 million dollars had been invested into a technical program to finalize the FLNG concept.[i] The Timor-Leste option was not considered.

Oddly, Shell's invitation to tender for the FLNG was issued in June, 2008. In October of 2008, Isabella Loh, chief executive officer of Shell Marine Products, a unit of Royal Dutch Shell Plc, said "Our customers are facing hard challenges, the credit crunch has affected liquidity and is having an impact on shipyards with cancellations and postponed orders, and expansion may be on hold."[ii] Almost two months later, December 19, 2008, Bloomberg reported: Shells' FLNG was the answer to the massive decline and near collapse of the shipping market; "Shell's plan for untried floating gas-export terminals will spur billions of dollars in orders as the shipping market collapses."[iii]

The "billions" would be recouped by nations like Australia and Timor-Leste to support the new technology even though the proposed FLNG in Greater Sunrise would produce one million tonnes less per year than export pipelines; increasing operating costs over the life of the project; with more costs for tax payers to pay and the JV partners to gain.

Woodside and Shell have been reluctant to fully comply with requirements to make a thorough investigation of the option of piping Sunrise gas to Timor-Leste. Independent studies by the Government of Timor-Leste have already confirmed the viability and commercial feasability of this option. Further studies have recently added to the body of evidence supporting the case for Timor-Leste processing as the most timely, cost effective and risk-averse due to deep water column protection.

The Secretary of State noted "There is little dignity in operating on false pretense and a lack of transparency continues to be a major concern around what Shell has been planning for over a decade prior to any agreements required by Timor-Leste and Australia on a development option. What is clear is that the conflict of interest is rife and Shell cannot be an independent party to this assessment."

'Timor-Leste will not operate within the sphere of corporate stratagem and non-transparency. This is why Timor-Leste has achieved fully compliant status with the EITI and has been cited as leading the way in all aspects of resource management and transparency. We are setting a new global standard in doing business and while we understand it might take our partners a little longer to adjust their practices, we expect Shell to promptly align accordingly" ENDS

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[i] Shell Development (Australia) Pty Ltd
Submission to the Joint Standing Committee on Treaties, (Submission 51)
August 2002, page 2
Read here: http://www.aph.gov.au/house/committee/jsct/timor/subs/sub51.pdf

[ii] Ship Rates Plunge as Credit Freeze Strands Cargo, Demand Slumps
Bloomberg, October 15, 2008, Alaric Nightingale and Chan Sue Ling

[iii] Samsung Bet on Shell Floating LNG as Orders Fall
Bloomberg, December 19, 2008, Dinakar Sethuraman and Angela Macdonald-Smith