

Comments on Bernard Collaery's "Oil Under Troubled Water"

March 2020

At the beginning of Chapter 14, "*A Matter for Inquiry*", I read:

"The deletion, without explanation, of the words 'and inerts' from the standard industry code definition of 'natural gas' and 'petroleum', thus depriving the impoverished Timorese and leaving ConocoPhillips with an alleged 'waste' inert gas flow **of considerable value**, was not the only event that advantaged ConocoPhillips." [*emphasis added*]

I calculate that, over the years, Bayu Undan has returned a little over US\$60 billion in revenue from the sale of condensate, LPG, and LNG.

The helium plant has been in operation for 10 years, and, according to Collaery, returned about \$20 billion in revenue, or a third of the petroleum revenue. However, I also calculate that, taking into consideration the steep appreciation of the price of helium lately, the helium plant revenue was probably of the order of \$400 million in total, or a mere 2% of what Mr. Collaery claims. The actual helium revenue represents 0.67% of the sales from petroleum products. Considering capital cost, maintenance and operations, the net profit for the helium plant was possibly of the order of \$250 million. However, the commercial arrangement between East Timor and ConocoPhillips regarding the Wickham Point LNG plant is not known, as we are well aware of, so it is difficult to really understand which part of the helium profit would have gone to East Timor, if any.

Additionally, the operating expenditure for the project has most probably been of the order of \$6 billion since commissioning, and the income from helium, which was indeed waste until Monteiro and Collaery decided to turn it into gold and rubies, is about 4% of operating expenditure. I believe that the helium plant was and is an operational issue.

A drop in the ocean.

Also of interest is the commentary by Steve Bracks in the very first page, which discusses quite extensively the helium issue:

" During my many visits to Timor-Leste as a pro-bono adviser to Prime Minister Xanana Gusmão, I occasionally heard talk of the "helium rip-off"

... in Canberra our Department of Foreign Affairs was scheming to deny Timor-Leste billions of dollars of desperately needed revenue.

Oil Under Troubled Water is essential, if difficult, reading for all Australians.’”

The pro-bono assertion should probably be investigated in detail, now that he mentions it for no apparent reason.

I hope Australians will indeed read the book, as well as our comments.

I read again the usual refrain about spying, but nowhere do I find an indication about what the alleged spying taught the Australian government. While I certainly do not condone spying activities, which I find repugnant, and I do not believe the idea that “*all countries spy*’, so why should the circumstances of treaty-making be any different?” could in any way be a valid excuse, I continue to think that there is no real issue until actual harm is shown.

As I wrote elsewhere:

“... common sense would suggest that the actual motives were far removed from trying to obtain an unfair but hard to comprehend commercial advantage in the negotiation of Certain Maritime Arrangements in the Timor Sea (CMATS), the 2006 treaty which regulates the allocation of revenue from Sunrise and Troubadour. The East Timorese side seems to imply that some secret information, obtained by Australian spies, relieved Australia’s negotiators from the necessity to renounce all of Sunrise. As stated above, East Timor owns less than 20% of the field geographically but was granted by treaty 50% of its revenue. What was the bona fide secret that, had it not been revealed to Australia, would have compelled her to give up all of Sunrise?”

Also:

“I see only two possibilities regarding a secret potentially discovered by Australian spies:

- 1. The secret was embarrassing for Australia: since East Timor obtained in CMATS almost three times what she was entitled to geographically, going from 18% to 50% of the revenue from Sunrise, which could be deemed a victory for East Timor, whatever secret there was that was embarrassing enough for Australia to lead to the Timorese vindication would have been made public by now.*
- 2. The secret was embarrassing for East Timor: if East Timor thought she could get more than half the revenue from the Sunrise field, perhaps up to 100%, by hiding a secret from Australia (which would have been a treacherous display of bad faith), what was the secret discovered by Australian spies that shamed*

the Timorese into accepting only 50%, and, if such a dirty secret existed, why was the Timorese share not kept at 18%?

I would think that the first step, if anyone were really interested in resolving the case, would be to find out the nature of the secret obtained by Australian spies through the bugging of the Timorese team, and how this secret, if to the advantage of Australia, shamed East Timor into reducing her claim to 50% rather than 18%."

As I have already stated, instead of trying to emulate the Ingenious Gentleman of La Mancha who charged at windmills under the delusion that they were giants, Mr. Collaery and his activist friends should have focused on other real issues:

1. What is the commercial structure of the Bayu Undan contract, so that we can finally understand clearly production and revenue figures since 2004?
2. Why was the 2018 boundary treaty hailed as a victory when it was such a defeat for East Timor?
3. Why was the coup of February 2015 never reported as such?
4. Why has East Timor been so loudly praised since 2019 for having been robbed of \$650 million by Shell and ConocoPhillips in exchange for an interest in a now valueless oil and gas field?
5. The country is still an impoverished nation, despite the petroleum windfall, but only because of severe mismanagement at the hand of the incompetent and corrupt politicians whom Mr. Collaery and his activist friends have been advising, praising, and defending for over two decades. What will it take for the public to finally acknowledge the fact?

I am not too confident that Mr. Collaery and his friends will address those real issues. However, I am inclined to think that they must be taken to task, they who idolized and advised a drunk guerilla commander who had little or no competence as a civilian leader and ransacked his economy and sovereign treasury for his personal aggrandizement and the monetary benefit of his family and friends.

M

Among other quite questionable chapters, I read in chapter 13, section 'Australia's First Helium Plant', paragraph 2 (page 719.1 / 1187):

"Although the anticipated output of the DLNG plant was estimated at 150 million cubic feet of helium each year, the plant had achieved a 200 million cubic feet annual output by 2014. Crude helium prices in 2013 were estimated by some US sources at an average of US\$6.13 per cubic metre. Prices rose steadily and in 2015 fixed US Government prices for crude helium were US\$85 per thousand cubic foot for government users and \$104 per thousand cubic feet for non-government users. In Australia, the price per thousand cubic feet rose steadily from close to A\$50 in 1999 (fully imported) to close to A\$100 in 2015. This may value the annual production of 200 million cubic feet of helium at Darwin in 2014 at around A\$2 billion "

My comments:

1. The helium plant was designed for 150 million cubic feet per day. It is quite unusual for a plant to deliver 1/3 more than design capacity, but at any rate, where was the output figure of 200 million cubic feet taken from?
2. US\$6.13 per cubic meter means as much as US\$175 per thousand cubic feet. What are the "some US sources" Mr. Collaery invokes?
3. The Australian price of "A\$100 in 2015" per thousand cubic feet, coupled with a production of 200 million cubic feet, would have returned a revenue of **A\$20 million**.
4. However, Mr. Collaery clearly reports a value of "**A\$2 billion**". How does he justify the 10,000% discrepancy?
5. For reference, at the time the helium plant was commissioned, at the end of 2009, the Bayu Undan field was returning a revenue from condensate, LPG, and LNG sales of **US\$16 million PER DAY**, while the helium plant was returning **US\$8 million PER YEAR**. At the time, **revenue from helium was a tiny 0.15% of that from petroleum products**, not enough for anyone to think anything of it. The main reason for the helium plant was that the governments of the Northern Territory and of the Commonwealth were objecting to discharging helium to the atmosphere. Basically, it was waste valorization.
6. I will continue reading the rest of the book, but, if it is as badly thought of as chapter 13, it will call for hundreds of pages of commentary. Maybe I should write them.

7. I feel embarrassed for Collaery.

M