

Woodside rocked by Pluto veto

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THE North West Shelf joint venturers have rejected a bid by Woodside to process gas from the Pluto reservoir through facilities at the existing gas processing site on Burrup Peninsula.

Woodside is a one-sixth partner in the export LNG phase of the Shelf project - Australia's biggest resources development. It is also the project operator.

Its concept was to have the Burrup site, which involves investment of \$20 billion, declared an open access facility and to fund a sixth gas-processing train. This would have let Pluto gas be processed along with gas from existing NW Shelf reservoirs.

The proposal would have saved Woodside hundreds of millions of dollars by avoiding a need for a greenfields site away from the existing plant. A greenfields Pluto development would cost \$US5 billion (\$6.6 billion). But the other NW Shelf export phase partners, BHP Billiton, BP, Chevron, Shell and the Mitsubishi-Mitsui joint venture, Japan Australia LNG, are thought to have rejected the plan.

At the heart of the refusal is that companies in the joint venture compete directly for international LNG sales.

Woodside owns 100 per cent of the Pluto reservoir, 190km northwest of Karratha, and is keen to commercialise it as quickly as possible. The gas reservoir, found in April last year, is thought to contain 4.1 trillion cubic feet of gas.

Woodside has signed preliminary sales contracts to supply two Japanese utilities with 3.5-4million tonnes of LNG a year from Pluto for 15 years from the end of 2010, with an option to extend for five years.

This competes directly with the planned start-up of Chevron's Gorgon LNG development further south at Barrow Island on which a final investment decision will be made next year once government environmental approvals have been finalised.

The company has made much of its 100 per cent ownership of Pluto, noting that a successful development would more than double its equity in export LNG.

Woodside did not comment but it is understood the West Australian Government is aware of the Burrup partners' dispute.

Some officials believe a sixth production train is the best option for Pluto development, reflecting increased scepticism that expansion of the NW Shelf, development of Gorgon and Pluto can be simultaneous. While the Government has granted Woodside a site on the Burrup for Pluto's proposed facilities, this

has run into difficulties because much of the area has ancient Aboriginal rock art.

While Woodside and the Government maintain none of the petroglyphs will be destroyed, at least 100 will have to be relocated if the stand-alone Pluto processing plant is constructed.

Woodside is still negotiating with the state Government on a demand that it quarantine 15 per cent of Pluto reserves to meet future domestic gas demands.

It is understood the company is prepared to suggest an independent arbitrator to determine if domestic gas supply is commercially viable for Pluto.

But its basic position is that Pluto is not viable as an LNG project if part of the reservoir is barred from export LNG.

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