

Woodside fuels talk of Pluto swap for chance to tap Atlantic

Angela Macdonald-Smith
May 3, 2007

WOODSIDE Petroleum, Australia's second-biggest oil and gas producer, may swap a stake in a proposed \$10 billion Australian liquefied natural gas project to enter the faster-growing Atlantic market.

Any sale or trade of a stake in the Pluto field, off north-western Australia, would only occur after the Perth-based company had committed to building the project, chief executive Don Voelte said. Woodside had received some "very interesting offers", he said.

Woodside's board in December approved an initial \$1.4 billion of spending on the 100 per cent-owned Pluto project and is due to give final approval by August, with a target of late 2010 to start deliveries to Japan. The project will triple Woodside's LNG output.

"Pluto would never get sold for cash; we would want something of great value in return for it," Mr Voelte said during the LNG15 conference in Barcelona late last month.

Woodside may swap a stake in Pluto for a share in a venture that supplies LNG to Europe and the US, or develop its own project for the Atlantic market.

The Pluto project will have a capacity of 5-6 million tonnes a year of LNG, worth \$6-\$10 billion. The company has accords to sell the fuel to Kansai Electric Power and Tokyo Gas.

"You wouldn't believe some of the offers people have made us to get their hands into Pluto," Mr Voelte said.

While Woodside might be interested in an asset swap, "those are hard deals to put together", he said.

A trade of a stake in Pluto for a share in a project or asset held by an Atlantic region LNG producer such as BG Group might make sense, said Frank Harris, co-head of global LNG at Wood Mackenzie Consultants.

"Woodside is the pre-eminent LNG player in the Pacific Basin and you've got BG in the Atlantic Basin," Mr Harris said. "With those two companies, there must be some interesting possibilities."

Global LNG demand may more than triple by the end of the next decade, to 509 million tonnes a year, from 141.5 million tonnes in 2005, Wood Mackenzie estimates. By about 2015, demand in the Atlantic is due to overtake demand in Asia.