

Woodside may cut spending on LNG project

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Woodside Petroleum Ltd has warned it may slash expenditure on its Browse Basin liquefied natural gas (LNG) project offshore Broome in Western Australia if the Federal Government's proposed emissions trading scheme (ETS) went ahead.

Chief executive Don Voelte, who was swift to slam an ETS green paper released last month, said on Wednesday that Browse would be its hardest hit LNG project under the current proposal.

Mr Voelte warned the oil and gas giant could slash spending at the project next year if the ETS was not fundamentally changed to recognise LNG's positive contribution to reducing greenhouse gases.

"Browse is big and costly, and has higher CO2 content than our other projects," he said.

"Of all of our LNG portfolio, it is also the project that will be the most adversely affected by an unfavourable emissions trading scheme."

He said the current ETS lacked fiscal certainty "and if we don't get that, it will impact the ability of this project to move forward".

"If the current discussion paper is not corrected, we'll need to consider dramatically reducing the spending that we have going in 2009 and beyond."

Chief financial officer Mark Chatterji agreed.

"Without fundamental re-working of the ETS, it would be hard to justify substantial expenditure on Browse," Mr Chatterji said.

Mr Voelte said a site would be selected for a Browse LNG processing facility by end of this year.

Two options are currently being considered: a pipeline from the Browse field to the Kimberley region or a longer pipeline from the field to Woodside's existing Pluto or North West Shelf Venture facilities near Karratha.

"We're firming up costs at this time," he said.

But if the ETS proceeded as is, the priority of Woodside's second LNG processing 'train' development at Pluto could be elevated above Browse or its Sunrise natural gas project, which straddles a boundary between Australian waters and a region jointly administered by East Timor and Australia.

"Pluto is probably the best in terms of the impact of the ETS," Mr Voelte said.

"Pluto Train 2 could move ahead of Sunrise and Browse.

"We cannot execute three mega projects at the same time."

Mr Voelte said the company was conducting risk analysis for plans to either make Sunrise a floating project or pipe its gas to Darwin.

"We aim to secure a final cost estimate ... for each option by the end of the first quarter of 2009.

"We will work towards a concept select by the first half of 2009."

Referring to the Timorese government's recent comments that it would not interfere with Woodside's development selection process for Sunrise, Mr Voelte said it was "amazing that everybody has been so agreeable to get a solution".

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