



TRANSCRIPT

Interview - Betsy Donaghey, Woodside

Edited transcript of Matthew Carney's interview with Betsy Donaghey, Woodside.

Reporter: **Matthew Carney**

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The Browse Basin is significant by world standards. Our view though is that most of the big gas fields in the Browse Basin have already been found. Now let's hope that's because that's with today's technology and as technology moves on maybe we'll be able to find more gas. The Browse development would be a complete new Greenfield development, so you would need not only the plant equipment to process the LNG, to clean the gas, to cool it, but you would need new port facilities, new jetty facilities, roads, airstrips. All of that power generation, all of that supporting facilities would need to be built.

The project really revolves around commercialising three gas fields offshore Broome. The three gas fields, Terosa, Brecknock and Calliance, together are about 18 TCF (trillion cubic feet). That is a world scale resource. One of those fields, Terosa, was discovered way back in 1971. In our joint ventures could not commercialise the fields for a long time because they are remote - four hundred kilometres offshore Broome, deep water, difficult to commercialise. The current strength of the LNG market we think now gives us a potential opportunity to make them commercial and to make them commercial through LNG, so what we're looking at is bringing that gas ashore, either here to Kimberley or perhaps all the way over to Karratha and building LNG plants. It could be say between 10 and 12 million tonnes of LNG per annum.

We would estimate that during construction is when the most direct jobs would be generated. We estimate that would be between 2500 and 3500 direct jobs. Ongoing operations, somewhere between 3 and 400 direct jobs... billions of dollars of tax revenue and of economic development for the nation and the region.

Let me make first clear that we're a long way from knowing that even with today's LNG market we can make this project commercial.

Woodside has signed what we call key term agreements with two LNG customers - one in China, one in Taiwan - but even those agreements are still dependent on our making a final investment decision. We have indicated a target window of between 2013 and 2015 for the first deliveries.

The two most significant milestones are actually quite near term. The first is actually that the northern development taskforce select a potential site here in the Kimberley and as you know that is expected to happen relatively soon. Once that site has been selected, we in our joint venture can then examine that site in detail and compare it to our option of taking the gas to Karratha. We will do a very detailed comparison, technical grounds, economic, environmental, social. We would then hope as a joint venture to choose between a Kimberley option and a Karratha option before the end of this year, but even if those milestones are met, a final investment decision would not be made until sometime in 2010 or 2011.

We buy into the state's view on that and the process they're going through to select that site.

When a site is selected we believe it will be the most appropriate site in the Kimberley and therefore that site would be what we compare to the Karratha option.

The existing infrastructure is a big plus for the Karratha option. We would be able to bring the gas to existing facilities at either the northwest shelf or Pluto and in fact use some of the LNG processing capacity there. The disadvantage the Karratha option has is the long pipeline that would need to be built there. The pipeline might be of the order of 1000 kilometres, perhaps four to six billion dollars, just for that pipeline.

The key advantage (of the Kimberley) is that it's that much closer to the gas fields. The pipeline itself depending on the location might have to be only between 3 and 400 kilometres. Another potential advantage is in fact the fact that it would be a Greenfield project that we would be building from a fresh new start, allows you to have perhaps more room, more freedom to do things the most efficient way possible. Our real current deadline is to be able to choose between Karratha and Kimberley by the end of the year. The deadline that the taskforce is working to and that I think the taskforce seems quite confident uh of meeting fits in well with our timing needs. I think we do need the site picked then because remember at that point in time we and the taskforce can begin to do more detailed work on that particular site and so it is important that site be identified.

The timing pressure is real in terms of value, but one factor that had been driving that is perhaps less strong now than it had been. You might remember Woodside used to talk about an LNG market window that it appeared that in the period around leading up to 2015 there was a window for new LNG supplies but there was a risk that it might close after that. The LNG market just continues to strengthen if to get a Browse development right we need to take more time, the market will be there and we'll take that time.

We've been very impressed by the consultation the KLC is doing and by the way in fact that the traditional owner groups are coming together, discussing these issues, debating these issues. We've done what we can to support that process, supplied answers to questions and met with them but perhaps most effectively we also were able to arrange for the traditional owners to visit the northwest shelf site.

(Wayne Bergmann) is a real leader, really attempting to bring those groups together and absolutely determined to make sure they have the information required to make a good decision.

The KLC process and the process that the State is driving with the northern development taskforce is indeed I think the process that will give the most certainty. As a big resource company when we decide we want to make a development somewhere it does take two to three years to get environmental approvals and during that period all sorts of groups are consulted and have input. What the KLC and the NDT process are doing is allowing that consultation to take place now and we think potentially to come up with the site that'll have the fewest problems going forward.

We're only at the very beginning stages of discussions with the KLC in terms of what kind of benefits package would be under discussion. I think that best practice would include things such as employment opportunities, education and training, indigenous business participation, cultural heritage, those issues as well a revenue stream.

The discussions are so preliminary, equity hasn't even been raised. There's one thing I'm confident that they will want world's best practice. I'm not certain that will include equity.

I think what it (world's best practice) really defines is a sharing in the benefits that the development will bring, including asset gross over time. I believe that can be delivered perhaps through equity, but perhaps through other means as well.

Can an LNG development go ahead without fundamentally affecting the environmental value that the Kimberley has? I think the process that is underway is designed to give the best answer to that question. First the work that the development taskforce

is doing in identifying the best possible site taking into account environmental issues. Second, once that site is selected, industry and the state will conduct detailed studies to see what are the environmental issues, how would the environmental, how would the animals, the plants, how would they be affected? Three, industry would develop detailed plans to manage those issues and four, those plans would be subject to very detailed review by the regulator. Remember selection of a site is still a long way from anyone saying yes, this development can go ahead.

I think the environment could be affected. I think that those impacts could be minimised.

There could be some impact. The decision to be made and remember first mitigation could include things such as how you would design a plant, how you would operate a plant, how you would run your shipping. I think we need to see what site is selected, see those detailed studies and then we'll be able to see what impact there would be on the environment.

Remember that this is why it's so important that a site is selected, so that then studies can begin to focus in real detail on the site and where there will be impacts, and remember also that ultimately if the environmental regulator is not satisfied that enough studies, that enough science has been done he will not grant approval.

There will be years for these studies. If an LNG development goes ahead in the Kimberley there are still years before a commitment will be made to that. We would not be making a final investment decision therefore we would not begin construction, therefore we would not make absolutely firm commitments to anyone until the environmental regulators had signed off that it was okay to proceed.

Once we've selected where we're going to take the gas and once we know a site, there would be very detailed studies of exactly those sorts of social impacts. I think the real key to that is not so much is it fly in, fly out; it's what demands is are the workforce going to make on the local community, in terms of housing, school places, those sorts of requirements. And then making sure we as industry give the local community and give the state an accurate forecast of what the workforce is going to need so that then they can plan to provide it. I think in many cases where there have been issues it's been because I think the size of the workforce has been a surprise, the state and local shire couldn't plan. All of a sudden there are not enough houses. Then you have trouble attracting people. The key will be to know what the workforce will be, what it needs from the community and give everyone time to plan and get it right."