

Barnett betting on Browse to anchor Kimberley LNG hub



PETER KLINGER

Colin Barnett is hoping Woodside Petroleum will fill his Christmas stocking with a pledge to anchor the proposed Kimberley LNG hub, one of the most controversial projects facing his Government.

Woodside expects to decide this month whether the Kimberley coast is best suited as the onshore location for its \$20 billion-plus Browse Basin liquefied natural gas (LNG) project, or whether it is easier to expand existing facilities on the Burrup Peninsula, near Karratha.

Although the Kimberley coastline has long been favoured by Woodside as the logical onshore site for its Browse project, given the proximity to the offshore gasfields, the likely cost advantages compared with the Burrup option are being offset by regulatory battles the Perth company will have to wage before it can build LNG trains at North Head, about 150km north of Broome.

North Head is Mr Barnett's preferred site for a Kimberley LNG hub, which should create thousands of regional jobs and generate millions of dollars in State revenue.

It is also Woodside's preferred location in the Kimberley but the Environmental Protection Authority is yet to give its ruling on which of four Kimberley sites it has chosen. The EPA's decision, against a backdrop of significant public opposition to the Kimberley LNG hub proposal, is imminent and eagerly awaited by Woodside, which is likely to delay its own choice until after the authority makes its announcement.

The key drivers of Woodside's Browse site decision are cost

minimisation and ability to stick to its first LNG delivery target of 2015. The threat of delays to the development timetable is likely to push Woodside and its chief executive, Don Voelte, towards the Burrup option, even if it is more expensive, which is why the EPA decision is so important.

Assuming the EPA agrees with Mr Barnett on North Head and that the State Government can guarantee a relatively smooth passage through the approvals process, Woodside is likely to target the Kimberley for its Browse project.

Any hiccups, however, and the Burrup will firm as onshore site for the huge project.

Containing 18 trillion cubic feet of gas across the Torosa, Brecknock and Calliance fields, Woodside's Browse project is big enough to sustain a stand-alone LNG plant. But the gasfields could also be commercialised through expanding existing LNG facilities on the Burrup, where Woodside operates the North West Shelf Venture (its Browse partners also own part of the NWSV) and is building the wholly owned Pluto plant.

The downside of the Burrup option is the construction and operating costs of a massive pipeline to link the Browse Basin.

Betsy Donaghey, Woodside's senior vice-president Browse, has remained tight-lipped on the company's site preference and on when the choice will be made.

"We will do Browse only if we believe it can deliver long-term value for our shareholders, and delivering value from an LNG project is not easy," she warned Woodside investors last month.

The complication for Mr Barnett

is that if Woodside decides to develop the Browse project on the Burrup, the hopes of a Kimberley LNG hub are likely to be all but dashed. Of the other prominent Browse Basin project proponents, Japan's Inpex has decided on a more expensive but also more certain onshore development plan for Darwin, while Shell's Prelude field is being targeted as a ground-breaking floating LNG facility.

In other words, the Kimberley hub — and the prospect of thousands of Kimberley jobs and millions of dollars into State coffers — hinges on Woodside's support.

Whereas the collapse of the hub proposal will be cheered by the myriad interest groups opposing the development, it is likely to dampen Mr Barnett's spirits during his first Christmas as Premier.



Don Voelte

