

Woodside's Reef Plan for Browse LNG Meets Opposition (Update2)

By Angela Macdonald-Smith

April 18 (Bloomberg) -- Woodside Petroleum Ltd.'s emerging plan to build a plant on Scott Reef off northwestern Australia as part of its Browse liquefied natural gas project is being opposed by an environmental group.

Scott Reef, located about 400 kilometers (249 miles) off the coast of the industrially undeveloped Kimberley region, must be "off limits" for LNG plants, Greg Bourne, chief executive officer of the Australian branch of WWF, said today at a conference in Adelaide, South Australia.

WWF is among several environmental groups that wants a coordinated environmental review process covering all proposed natural gas projects in the Kimberley, where Inpex Holdings Inc., Japan's largest oil explorer, is also planning an LNG plant. Woodside said yesterday initial studies on Browse LNG indicate that building a plant on Scott Reef is less costly than building on the Australian mainland.

"Woodside is baulking at the price of building a pipeline to the mainland," said John Colnan, a senior resources analyst at Shaw Stockbroking Ltd. in Sydney. Browse LNG is Perth-based Woodside's "next important project" after the proposed Pluto LNG plant, he said.

"While Scott Reef is one of the options, we haven't actually made a decision," said Annalisa Grubisa, Woodside's spokeswoman for Browse LNG.

"The Browse LNG Development is only in its early stages and much work is still to be done before we select the most favorable development concept and location."

Shares in Woodside, which owns about 50 percent of the fields due to supply gas for Browse LNG, rose 21 cents, or 0.5 percent, to A\$39.15 on the exchange. They have risen 2.7 percent this year, less than the 10 percent gain in the benchmark S&P/ASX 200 Index.

BP Plc, BHP Billiton Ltd., Chevron Corp. and Royal Dutch Shell Plc have stakes in Woodside's Browse LNG project.

Export Hub

Companies and governments should develop a plan within a year for LNG ventures in the Kimberley region, Bourne told reporters at the Australian Petroleum Production and Association conference. The preferred way may be to develop an onshore "hub," where all gas from fields in the region may be processed into LNG for export, reducing the environmental effect of separate projects, he said.

Bourne was previously regional director, Australia and New Zealand, of BP's Australian unit.

"Our aim is not to stop development or slow development, it's actually to find out how you can do sensible development," Bourne said. "It's about thinking about cumulative impacts are taken into account rather than a project-by-project."

Scott Reef in particular is very, very important. In my day when I was running BP's operations with regard to LNG we would never even have contemplated working on Scott Reef."

Inpex, Total

Inpex, based in Tokyo, said on April 16 its plan for building an LNG plant on the Maret Islands off northwestern Australia for the Ichthys LNG project, in which Total SA has a 24 percent stake, may be further developed to use the island as an export hub.

Woodside's Browse LNG project involves the development of about 20 trillion cubic feet of gas reserves, while Inpex's Ichthys fields hold about 9.5 trillion.

Australia has about 153 trillion cubic feet of known, undeveloped gas reserves, the Australian Petroleum Production and Exploration Association said in May.

Developing an LNG plant on Scott Reef would be "several billion dollars" cheaper than building the plant on the mainland, which would require construction of a 450-kilometer pipeline, Paul Moore, director of development at Woodside's Woodside Energy Ltd. unit said yesterday.

"Just because it's cheap and easy is not a reason to move onto a pristine reef," Bourne said. "Cheapness is not the only criteria. I still believe that we can do LNG in the Browse Basin, I'm absolutely confident of that."

LNG is natural gas chilled to liquid form for delivery by tanker to destinations not connected by pipeline. On delivery it is turned back into gaseous form and distributed to users such as power stations, households and factories.

To contact the reporter on this story: Angela Macdonald-Smith in Sydney at amacdonaldsm@bloomberg.net