



Shortages force Woodside to revise development plans

19-April-07 by Mark Beyer

Woodside Petroleum Ltd has revised its development plans, admitting that giant gas projects proposed for the north of Western Australia will have to be developed sequentially because of shortages of skilled labour and contractors.

While supply-side pressures are growing more acute, the oil and gas producer believes demand for its products is getting stronger.

Speaking at Woodside's annual general meeting in Perth today, outgoing chairman Charles Goode said the company was seeing "a rapid escalation in the price being negotiated for new long term LNG sales into Asia".

He said new contracts were being linked closely to the oil price and that LNG buyers in the Asia Pacific were looking favourably at Australia as a supplier.

"The need for portfolio diversity and supply security mean that Australian projects are the customers' first choice for new supplies.

"It is our view that our projects will no longer be held up by the need to capture markets."

This marks a notable shift from Woodside's previous position. Managing director Don Voelte said last year that he wanted the Browse LNG project in production by 2012 before competing projects in countries such as Qatar kicked in.

Mr Voelte told today's AGM that Woodside had a suite of development options beyond its Angel and Pluto projects but had not decided when they would proceed.

The company is currently expanding its North West Shelf LNG plant, with output to increase to 16 million tonnes per year, and building the offshore Angel gas platform.

It is also pressing ahead with its Pluto LNG project, with a final investment decision due by the middle of this year.

Mr Voelte said the company was planning to develop an LNG 'park' on the Burrup Peninsula, to process gas from Pluto, Xena and other regional fields.

"We are obtaining permits for production of 12 million tonnes per annum, which will allow for two or three LNG trains," Mr Voelte said.

The company believes its LNG projects can co-exist with heritage listing of the rock art on the Burrup.

Mr Voelte confirmed that Woodside was likely to build an offshore LNG facility to support development of its Browse gas fields, rather than an onshore gas plant on the Kimberley coast.

"Engineering studies are continuing to support the selection of a single development concept.

"At this stage, we continue to think that Browse can support a two-train plant with capacity of up to 15 million tonnes of LNG a year."

He also disclosed that Woodside had resumed work on its Sunrise project, after the Australian and Timor-Leste governments resolved their dispute over royalties.

Mr Voelte said Woodside was realistic about delivering all of these projects.

"Due to limitations of skill resources, contractors and capital capacity, we will need to sequence our projects after our first Pluto train.

"In regard to possible Pluto Train 2 and 3, Browse Train 1 and 2 or Sunrise Train 1, we currently maintain a neutral view on the likely order of these developments.

"The order will be determined by final investment decisions, made according to the merits of each development."