

Woodside mulls asset swap for Atlantic LNG

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Woodside Petroleum may swap a stake in its proposed \$10 billion Pluto liquefied natural gas project off northern WA for assets in the faster-growing Atlantic market.

Chief executive Don Voelte said Woodside had received "very interesting offers" for a stake in Pluto and would decide by August whether to develop the project. Offers would not be considered until then, he said.

"Pluto would never get sold for cash, we would want something of great value in return for it," Mr Voelte said.

"If Woodside is offered an opportunity that we believe is vastly superior than what we'll give up with Pluto but works for another company, then we'll consider that," he said.

Global LNG demand may more than triple by the end of next decade, with consumption in Europe and North America overtaking demand in Asia by about 2015, according to a Wood Mackenzie Consultants estimate.

Assets in the so-called Atlantic Basin would give a bigger global reach to Woodside, which now counts on Asia for almost 90 per cent of total sales.

Trading a stake in Pluto for a share in a project or asset held by an Atlantic region LNG producer, such as BG Group, may make sense, said Frank Harris, co-head of global LNG at Edinburgh-based Wood Mackenzie.

"Woodside is the pre-eminent LNG player in the Pacific Basin and you've got BG in the Atlantic Basin," Mr Harris said. "With those two companies there must be some interesting possibilities."

French group Total, which last year bought a stake in Inpex Holdings' Icthus LNG project off WA, was the other obvious candidate with its interests in the Middle East and Nigeria, he said.

Woodside's board in December approved an initial \$1.4 billion of spending on the 100 per cent-owned Pluto project and is due to give final approval for development by August, with a target of late 2010 to start deliveries to Japan. The project will triple the company's LNG output.

Woodside may either swap a stake in Pluto for a share in a venture that supplies LNG to Europe and the US or develop its own project for the Atlantic market through exploration.

The Pluto project will have a capacity of 5 million to 6 million tonnes a year of LNG, costing between \$6 billion and \$10 billion, Woodside said in November. The company has deals to sell fuel from the project to Kansai Electric Power and

Tokyo Gas, which are also negotiating to buy 5 per cent stakes in the venture while Woodside retains full control.

While Woodside may be interested in an asset swap, "those are hard deals to put together", Mr Voelte said.

"At least until the final investment decision you should not expect anything but we have certainly catalogued what people have talked to us about, so that if we ever do turn that tap we can work on some existing ideas."

ConocoPhillips, the second-biggest US refiner, last year started LNG production at a plant in Darwin, while Chevron, Inpex and BHP Billiton are among companies proposing to develop projects in Australia.

Woodside may also seek to enter the US and European LNG markets "through the drill-bit," by exploration in countries such as Libya that may offer the potential for LNG supply to the both sides of the Atlantic Ocean, Mr Voelte said.

"We look at it from a drill-bit perspective and we look at it from an M&A perspective," he said. "Clearly other people have the same aspiration that we have so the opportunities aren't just sitting there for our taking, you have to develop them."

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