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Browse LNG looking for a home

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THE Browse Basin has been touted as Australia's next liquefied natural gas hub. But in a time of rising project costs and difficult approvals processes, nothing is certain.

The Maret Islands

On a rain-lashed winter's day in Perth, executives from some of the world's biggest petroleum companies turned their thoughts to the sunny resort town of Broome on Western Australia's Kimberley coast.

But these weren't just idle mid-winter daydreams.

Representatives from Shell, ConocoPhillips, BP, Woodside Petroleum, BHP Billiton and Japan's Inpex gathered in late July to hear details of the Western Australian Government's plan to coordinate development of the Kimberley's vast gas resources, particularly the rich offshore Browse gas fields 400km from Broome.

That first public appearance of the Northern Development Taskforce, hosted by its chairman Jim Limerick, was "informative and positive", according to one attendee.

"But these meetings always raise more questions than they answer," he said.

Probably the biggest query was: 'Will the taskforce speed up – or bog down – development of Browse gas?'

With two multibillion dollar LNG projects – Inpex's Ichthys and Woodside's Browse – slated for early next decade, and several majors deep into exploration programs, the area is potentially Australia's third LNG hub.

But a public outcry earlier this year at plans by Woodside and others to produce LNG on the wild Kimberley coastline stung the politicians into action. As one industry source put it, "The WA Government has been asleep at the wheel on strategic development. WA has thousands of kilometres of coastline and we can't find a spot for a gas plant?"

The taskforce – set up by WA Deputy Premier Eric Ripper in mid July – is charged with identifying "possible locations for at least one gas processing complex, which would be used to process Browse Basin gas".

Ripper hopes to fast-track development of a hub that would house several LNG trains under different owners. It could see a North West Shelf-type venture in the Kimberleys, presumably well hidden from Broome holidaymakers.

But some query whether the Government can find a commercially appropriate site that will please everyone.

And, even if it does, there are doubts over whether Big Oil will cooperate. Inpex and Woodside show few signs of wanting to work together.

Woodside has suggested piping its gas 900km to its Pluto project on the North West Shelf to sidestep green protests and drawn-out approvals processes. Inpex, meanwhile, insists Ichthys gas will be processed on the environmentally sensitive Maret Islands, off the Kimberley coastline.

Inpex's group general manager of external affairs Sean Kildare said the Japanese company is proceeding with Maret on the basis that it "will satisfy all of the major project approval requirements and the strategic interests of all stakeholders".

Inpex hopes to begin front-end engineering and design studies later this year for a US$10 billion project. It is looking at two trains, each rated at 4.2 million tonnes per annum, with the first LNG shipments due late 2012. To achieve that timetable, Inpex and its partner, Total of France, must make a final investment decision by the end of 2008.

The two companies also recently moved to buy three exploration leases northeast of Ichthys from ConocoPhillips. Inpex and Total will take 60% and 40% stakes respectively.

Covering just over 3515sq.km, the WA-341P, WA-343P and WA-344P permits are 200km offshore, in waters 50-250m deep.

Test wells are scheduled to be drilled by 2009 in all the three blocks, and Inpex hopes to find synergies with the Ichthys project.

It is becoming increasingly clear that Inpex has gone too far to change its plans at this stage.

But given the Kimberley's pristine beaches and unspoilt beauty spots, the Government was initially pushing hard for a hub in one place to minimise disturbance. Ripper said the government envisages different LNG projects using the "same location for their processing facilities".

However, last month he conceded that it was likely two LNG hubs would be built in the Browse and one of these would be Ichthys.

The other preferred site is still undecided.

Woodside, which aims to approve a 15MMtpa LNG development by 2010 based on the Torosa, Brecknock and Calliance fields near remote Scott Reef, is cautiously optimistic about the taskforce.

"We will enthusiastically support and help the State Government in their drive to find a location in the Kimberleys for Browse area gas," Woodside chief executive Don Voelte told reporters in late July after the company approved its $12 billion Pluto LNG development on the Dampier Peninsula.

"Whether or not our gas goes there is conditional, of course, upon the solution they come up with," he added. "But we're extremely happy that they are looking for a home for everybody to build their LNG."

Woodside had to get more than 450 approvals to reach the stage of green-lighting Pluto. It illustrates the green tape clogging development in WA as Premier Alan Carpenter's Government struggles to cope with the unprecedented China-driven commodities boom.

Now, having done all the hard work to gain state and federal heritage and other clearances for the development, Woodside reckons it may be able to develop Pluto as a gas-gathering hub.

"It gives other companies opportunities to not have to go through all that [approvals] and be able to place their gas," Voelte said. "And, frankly, we think we've got the last, best place on the Dampier Peninsula to build a plant."

Voelte said Pluto could also be expanded, using either gas from the Carnarvon or Browse basins. Woodside's 20 trillion cubic feet of gas in the Browse could end up in "three or four different places" – Darwin, the Kimberleys, North West Shelf-Pluto, or "offshore, at site".

Should Woodside choose to pipe Browse gas 900km to Pluto, some of the infrastructure would already be in place. The company has invested "hundreds of millions of dollars" to design the project for expansions, including a bigger pipeline coming onshore and a heavier platform, Voelte added.

"We have built most of the infrastructure with the idea that we have either two or three trains at the Burrup LNG Park," he said.

Broker UBS said Woodside is seeking to form "hubs" on the Burrup for channelling gas into the North West Shelf and Pluto.

"The potential to expand to a sixth or seventh train at the North West Shelf project becomes more feasible when Browse or other gas fields are possibly tied into the project," UBS said.

But transporting Ichthys gas to Voelte's hub is a pipe-dream, as far as Inpex is concerned. Asked whether Inpex would consider landing its gas on the Burrup, Kildare offered a terse: "No."

"It is not an option for Inpex," he said, adding Pluto may provide an option for companies working in the Carnarvon Basin, "particularly smaller gas field operators".

Like Woodside, Inpex is interested in exploring deals with other Browse operators but, Kildare said, only on "commercially viable terms".

As yet, there have been no talks in that regard. The company maintains a dialogue with others, but only to avoid "inadvertently crossing over each other's paths".

"But would we collaborate commercially on projects? No, we have not had those discussions," he said.

Nevertheless, there is continued speculation that Inpex may soon open talks with Shell, with the latter having discovered gas at the deep-water Prelude well drilled into WA-371-P – the permit adjoining Ichthys. If Shell confirms a big gas find, talks on a deal – whether it is unitisation or a joint venture – may eventuate.

"It is early days for us," said a Shell spokeswoman, who played down talk of a tie-up with Inpex. "We are still drilling the field and trying to understand what we have up there."

The oil major has drilled five of its 12-well commitment on the permit. The remaining seven are due to be drilled in the next 18 months.

It is possible Shell will go it alone on Browse, potentially reviving the Floating LNG concept that it pushed heavily several years ago on the Sunrise field in the Timor Sea.

ConocoPhillips, a key player in Australia via its Bayu Undan project in the Timor Sea, may also have a big say in the Browse if drilling on its farm-in ground with junior Karoon Gas hits paydirt. Depending on how much is uncovered, the US major may look seriously at piping gas over to a second train at its Darwin LNG plant.

The Northern Territory Government has proposed Darwin as an alternative location to process Browse Basin gas, and Darwin is closer than the Burrup to much of the Browse.

There are numerous permutations for the region. Yet Inpex claims Ichthys is the only "real" gas project on the Browse, having started navigating its way through the long approvals process. It also recently signed a heritage protection deal with the Kimberley Land Council.

But some analysts still regard Ichthys as a long-shot, given several green hurdles, including a significant carbon footprint. Inpex says it is "keeping all options open" on the carbon strategy for Ichthys, which contains more than 8% CO_2.

It seems remarkable that Browse, one of the world's hottest exploration addresses at present, may spawn one or more LNG developments but not land any gas on the nearest coastline.

The government's taskforce may unearth potential landing sites. But commercial logic, not a government wish-list, is more likely to determine the shape and size of future LNG developments in the Kimberleys.

"In the end, money talks," an industry source commented. "If there is a commercial LNG arrangement to be had, companies will take it."

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