

LNG projects still on horizon

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THE LNG industry has been a significant contributor to Western Australia's resources boom and has been on the brink of making a much larger contribution, but rising costs and skills shortages have once again pushed back the likely start date for some of the planned projects.

Woodside Petroleum Ltd disclosed last week that giant gas projects proposed for the north of the state will have to be developed sequentially because of shortages and capital constraints.

Its comments follow repeated delays in Chevron's Gorgon project, which went through a tortuous process to gain environmental approval.

BHP Billiton and Japanese group, Inpex, are also assessing giant LNG projects in WA's north, and like other project developers would have been adversely affected by the sharp increase in construction costs.

The good news for the sector is that demand for its products is getting stronger.

Speaking at Woodside's annual general meeting in Perth last week, 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 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," Mr Goode told the AGM.

"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.

Woodside is operator of the North West Shelf Venture, which is currently expanding the capacity of its LNG plant to 16 million tonnes per annum and building the offshore Angel gas platform.

Woodside is also keen to develop its wholly-owned 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 said Woodside was also evaluating its Browse and Sunrise LNG projects but was realistic about delivering all of them.

"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."

BHP's Pilbara LNG project, which is likely to comprise a single LNG train producing 6mtpa, is subject to a pre-feasibility study.

It has selected a site south-west of Onslow as its preferred location for the LNG plant and export facilities.

Inpex is evaluating the construction of its LNG plant on the Maret Islands, in a remote location off the Kimberley coast.

It is proposing to build two LNG trains, initially with output of 7.6mtpa rising to 11mtpa.



LNG PROJECTS

| OPERATOR | PROJECT | ANNUAL OUTPUT* |
|--------------|--------------|----------------|
| Woodside | NW Shelf | 16mt |
| Woodside | Pluto/Burrup | 12mt |
| Woodside | Browse | 15mt |
| Woodside | Sunrise | n/a |
| Chevron | Gorgon | 10m |
| BHP Billiton | Pilbara LNG | 6mt |
| Inpex | Ichthys | 11mt |

* Projected output