

## **Woodside May Swap Pluto LNG Stake to Enter Atlantic (Update3)**

By Angela Macdonald-Smith

May 2 (Bloomberg) -- Woodside Petroleum Ltd., Australia's second-biggest oil company, may swap a stake in a proposed A\$10 billion (\$8.3 billion) liquefied natural gas project in Asia for assets in the faster-growing Atlantic market.

The company has received "very interesting offers" for a stake in the Pluto project off Australia's northwestern coast, Chief Executive Officer Don Voelte said in an interview in Barcelona. Perth-based Woodside will decide by August whether to develop Pluto and won't consider an offer until then, he said.

"Pluto would never get sold for cash; we would want something of great value in return for it," Voelte said April 26 at the LNG15 conference. "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."

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 Ltd. estimate. Gaining assets in the so-called Atlantic basin would give a bigger global reach to Woodside, which now counts on Asia for almost 90 percent of total sales.

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

BG, Total

"Woodside is the pre-eminent LNG player in the Pacific Basin and you've got BG in the Atlantic Basin," Harris said. "With those two companies there must be some interesting possibilities." Total SA, which last year bought a stake in Inpex Holdings Inc.'s Ichthys LNG project in Australia, is the other obvious candidate with its interests in the Middle East and Nigeria, he said.

Shares in Woodside rose 88 cents, or 2.2 percent, on the Australian Stock Exchange to A\$40.38, their highest for almost eight months.

Woodside's board in December approved an initial A\$1.4 billion of spending on the 100 percent-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 LNG output of the Australian company.

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

Kansai, Tokyo

The Pluto project will have a capacity of 5 million to 6 million tons a year of LNG, costing between A\$6 billion and A\$10 billion, Woodside said in November. The company has accords to sell fuel from the project to Kansai Electric Power Co. and Tokyo Gas Co., which are also negotiating to buy 5 percent stakes in the venture while Woodside retains full control.

LNG is natural gas chilled to liquid form for transportation by tanker to destinations not connected by pipeline.

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

## Shell Interest

Woodside's Pluto project, along with its stake in the operating North West Shelf LNG venture and in the undeveloped Browse and Sunrise LNG projects, also in Australia, may drive 34 percent shareholder Royal Dutch Shell Plc to renew an attempt to take control of the company, Bernstein Research said. Shell was blocked in 2001 from taking over Woodside by the Australian government, which cited national interest.

``While Shell have not commented on a renewed attempt to increase their equity stake in Woodside we believe that it would be a highly value-accretive deal for the longer term," Bernstein said in a March 23 report. ``Today the Australian government would find it hard to block such a deal given the multitude of new Australian LNG projects under development."

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

Woodside may also seek to enter the U.S. 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, 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."

Still, getting LNG supply in the Atlantic region isn't an absolute necessity given the strength of the LNG market in northern Asia, Voelte said. Failing to get a license to proceed with an LNG import project off California would also ``not be the end of the world," he said.

``If we don't develop an Atlantic Basin component over the next year or two that doesn't mean that we failed. We'd rather wait for the right deal to come along," Voelte said.

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

*Last Updated: May 2, 2007 02:46 EDT*