

Deal to change the shape of LNG market

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Analysis

THE \$12 billion Pluto investment, huge as it is for Woodside, has the potential to change the way the whole of Australia's LNG business is shaped.

The existing two plants, the NW Shelf gas joint venture on the Burrup Peninsula and Conoco-Phillips' Wickham Point plant at Darwin, are locked into long term take or pay contracts.

They have an occasional spot cargo when production is greater than required by the shipping schedule.

But at Pluto about 1 million tonnes of the initial output of 4.3 million tonnes a year will be available to meet spot market demands.

Depending on the size of LNG tanker, this represents about 20 cargoes a year or about \$US500 million (\$580 million) in revenue, significantly in advance of the return on contracted cargoes.

Woodside chief executive, Don Voelte, yesterday repeated the basic core of the Pluto rationale — meeting a substantial shortfall in global LNG supplies in the period 2010 to 2015.

That's what has driven the project to be the quickest from discovery to production any-

where in the world — probably only 5½ years if the late 2010 production target is reached.

But Pluto is also different because the gas will be delivered to the Burrup LNG Park where there is available land for two more LNG trains.

Mr Voelte indicated yesterday that Woodside was prepared to put gas for other owners through the plant or come into joint ventures with them about production facilities or even allow third parties to build a production facility on the site.

Some of this is driven by necessity as Pluto needs more gas than the five trillion cubic feet presently estimated in the Pluto and Xena reservoirs.

It has had discussion with other reservoir holders in Chevron without notable progress which is why Mr Voelte was yesterday hailing the company's success in winning permit area WO6-9 immediately north of Chevron's gas discovery north west of Pluto.

Woodside's bid is worth \$196 million and includes 3-D seismic and 9 exploration wells.

If the acreage is as prospective as Woodside's exploration director Agu Kantsler believes then there will be little need for third party suppliers.



Plenty of room to move: An artist's impression of the Burrup LNG Park