Business News
Thursday 2/8/2007
Page: 7

Voelte makes a statement

PLUTO

- Woodside's $12bn Pluto development will be the world's fastest LNG project from discovery to production.
- Infrastructure built for two to three trains.

Mark Beyer

WOODSIDE Petroleum Ltd managing director Don Voelte has firmly put his stamp on the oil and gas producer by pushing through the $12 billion development of its Pluto gas project in record time.

The Pluto gas field was discovered in 2005, the Woodside board approved its development last week, and first production is due in 2010, which would make it the world's fastest liquefied natural gas project from discovery to production.

At a time when the giant Gorgon project and other big LNG projects around the world are bogged down in commercial, environmental and political blockages, Pluto is an extraordinary achievement.

It is the first LNG project to get the go-ahead anywhere in the world in nearly 18 months and represents the single largest investment by one company in an Australian resources project. The project involves construction of an offshore platform linked to five sub-sea wells, a 180-kilometre pipeline to the coast, and a single LNG production train with forecast production of 4.3 million tonnes a year.

Mr Voelte sees this as just the beginning, with the potential development of three LNG trains on the Burrup Peninsula.

"We do not see Pluto as a one-train development," Mr Voelte said last week.

"We've built most of the infrastructure for two to three trains."

Woodside signalled its intentions when it requested environmental approval for 12mtpa of processing capacity on the Burrup.

Its development could also include construction of a domestic gas plant to supply the WA market.

If output rose to 12mt, Pluto would start to rival the North West Shelf Venture's nearby LNG plant, where the train 5 expansion currently under way is lifting production capacity to 14.2mt.

The upside for Woodside is that it is the sole owner of Pluto, though it has agreed to sell 10 per cent of the project to its two Japanese customers, Tokyo Gas and Kansai Electric.

In contrast, Woodside owns just one-sixth (and is the operator) of the NW Shelf venture.

The challenge for Woodside is to secure additional gas supplies, to feed the first Pluto production train in the long term, and then to justify building extra LNG trains on the Burrup.

Woodside has an active exploration program in the area and is also prepared to process gas reserves owned by other companies, including possibly some of the Gorgon fields owned by Chevron, Shell and ExxonMobil.

Woodside has also flagged the possibility that gas in its giant Browse fields, off the remote Kimberley coast, could be pumped hundreds of kilometres in an undersea pipeline to the Burrup.

The go-ahead for Pluto signals that rising cost pressures are critical but not fatal.

Pluto's $12 billion price tag is double initial estimates that were made in August 2005, when Woodside said it was considering development of the field.

This reflects the massive cost pressures that are facing all major resources and infrastructure projects, especially in WA's remote North West. The higher costs have been offset by sharp increases in LNG selling prices.

Mr Voelte said the internal rate of return would be in a range of 10 to 15 per cent, which would meet Woodside's required hurdle. The project is expected to create up to 3,000 direct jobs during construction and 300 jobs during operations.

POTENTIAL: Don Voelte sees the potential development of three LNG trains on the Burrup Peninsula. ***Photo:*** **Jemma Howard**