

Woodside's deal timed for APEC

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and Andrew Burrell

Woodside Petroleum and Chinese oil giant PetroChina are expected to sign a multibillion-dollar liquefied natural gas contract in the presence of President Hu Jintao at the Asia Pacific Economic Co-operation business summit in Sydney next month.

The LNG will come from Woodside's Browse gas field off the West Australian coast and is destined for PetroChina's receiving terminal, which is under construction at Rudong, in Jiangsu province.

A Woodside spokesman had no comment when asked about the contract on Friday, but it is understood that arrangements are being made for Mr Hu to be involved in a signing ceremony in Sydney.

It will be Woodside's second long-term LNG deal with China after entering a \$20 billion, 25-year agreement – Australia's largest ever resources deal – in 2002 with China's CNOOC to supply the Dapeng LNG receiving terminal in Guangdong province. The new deal will not be as large as the 2002 agreement, but it indicates that the Chinese are prepared to agree to LNG price terms consistent with international practice, especially Japanese deals.

Speculation about an imminent Woodside deal was stoked this week when managing director Don Voelte told analysts that a "key terms" agreement, which sets the key commercial terms including price, "may be signed soon".

On Friday he said: "I just say stay tuned. We're not there yet. But I think Woodside as a supplier of LNG is seen as a reliable, secure, knowledgeable operator and we're getting an awful lot of demand for our products."

Analysts will be keen to examine the pricing structure of this second deal with China. The first was a giveaway, with the LNG price capped at an oil price equivalent of \$US25 a barrel. Crude oil is now trading near \$US70 a barrel.

The Rudong terminal is due to begin commercial operations in the first

AUSTRALIA'S LNG DEALS

Date	Project	Total capacity (million tonnes a year)	First shipments
2005	Pluto	4.8	2010
2005	NWS Train 5	4.2	2008
2002	Darwin LNG	3.7	2006
2002	NWS Train 4	4.2	2004

quarter of 2011 and will have a capacity of 3.5 million tonnes of LNG in its first phase, according to a March statement issued by Pacific Oil & Gas, a junior partner in the PetroChina-led consortium. The Woodside deal with PetroChina knocks out a competing deal with a Middle Eastern supplier, thought to be Iran.

Industry insiders claim that Australia's stability and reliability are important factors in shaping PetroChina's decision.

Meanwhile, Woodside said on Friday it would move as quickly as possible to expand the \$12 billion Pluto liquefied natural gas project that Prime Minister John Howard called the most momentous development since the neighbouring North-West Shelf project in the early 1980s.

The development, to which the Woodside board gave final investment approval last month, was expected to cross its last regulatory hurdle, approval from federal Environment Minister Malcolm Turnbull, within weeks, Mr Voelte said.

"I would hope that by the end of September we'll have all of this put together," he said after a ceremony in Sydney to complete a deal to sell 5 per cent stakes in Pluto to the project's two Japanese customers, Tokyo Electric and Kansai Gas.

Woodside had already signed 17 major contracts for Pluto's onshore processing plant and nine for the offshore gas development.

with **Stephen Wisenthal**