

Voelte's at crossroads for Burrup partners



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Life is pretty sweet for Don Voelte. At a time when both the WA and Federal governments are cranking up the pressure on gas companies to tap their undeveloped offshore reserves, and with his peers complaining bitterly about project cost blowouts triggered by this State's resources boom, the Woodside Petroleum boss is positioning himself as an unlikely arbiter among warring factions.

Already the operator of the North-West Shelf on behalf of six equity partners, Mr Voelte is now setting up his company's \$12 billion Pluto plant on the Burrup as the next major infrastructure hub capable of processing millions of tonnes of LNG a year.

And Mr Voelte does not believe Pluto's future prospects should be restricted to Woodside-owned gas. Given that the Pluto field contains only about five trillion cubic feet of gas, Woodside's own ambitions for expanding Pluto are limited.

Instead, Mr Voelte sees Pluto's potential as a processor of third-party gas from the likes of Apache or even Chevron. In the process, Woodside could underwrite the cost of future billion-dollar trains at Pluto with long-term gas processing agreements from some of its rivals.

With every additional train, Pluto's massive fixed cost (the lion's

share of Pluto's initial \$12 billion set-up budgets relates to onshore facilities such as jetties and tanks) would be diluted in favour of Woodside's overall profitability.

Welcome to the strange world of oil and gas.

Just down the road from Woodside's Burrup operations, Rio Tinto is zealously guarding access to its Dampier iron ore port. Like its takeover suitor BHP Billiton, Rio is fiercely resisting moves by rivals to gain access to its infrastructure. Like their oil and gas peers, infrastructure is often the biggest inhibitor of iron ore project development. Access to an existing infrastructure network, whether it be rail or port, can give life to a project otherwise consigned to the no-hope basket.

In the oil and gas world, which was founded on bitter rivals working together in joint ventures, sharing infrastructure is normal.

And it is Pluto's strategic position on the environmentally-sensitive Burrup Peninsula that could prove a master stroke for Mr Voelte.

Woodside needs more gas to expand Pluto; gas companies sitting on reserves off the North-West are struggling to justify their own onshore processing set-ups in light of huge labour and material cost rises, not to mention increased environmental scrutiny; and governments in Perth and Canberra are trying to apply the blowtorch to those companies sitting on undeveloped gasfields in an attempt to address soaring wholesale gas prices that are unnerving both industrial and residential gas customers.

Not surprisingly, Mr Voelte

supports the governmental crackdown under the so-called "use it or lose it" retention licence policy.

The Woodside boss freely admits his stance makes him an oddity in his industry, but then few players other than Mr Voelte can claim his win-win situation.

"Now I've got some retention issues too," he said. "I've got some use it or lose it items, and you know what, we should be treated fairly with everybody else, which we will be. There'll be no distinction.

"But our position is we applaud it. It's the right thing for the country, it's the right thing for the State.

"The fact of the matter is with the gas that we've found out there, we ought to be able to produce it. We've got to be able to produce it.

"Plus competitively we've got a pretty good position out there and frankly I guess you'd say if you weigh it all up, we kind of like the issue that other companies have to not sit on their stuff."

His approach has earned Mr Voelte crucial government support and, as shareholders will attest, it has hardly dented Woodside's financial performance. The company's shares have outperformed the Australian sharemarket by 70 per cent since Mr Voelte became chief executive in April 2004.

As both sets of government turn their attention to how to best ensure the development of the Browse Basin's abundant gas reserves, and where to host a processing hub along WA's coast line, rest assured Mr Voelte's Woodside-centric ideas will not go unnoticed by those in power.



Unlikely ally: Don Voelte supports the State Government crackdown under the "use it or lose it" policy.