

# Pluto mars the spin that LNG from Wheatstone is viable

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CHEVRON'S decision to promote the Wheatstone gas reservoir for export LNG opens a new window on Australia's offshore gas development.

Almost since Wheatstone was discovered in 2004 it has been investigated as a possible supplier to a world-scale, gas-to-liquids facility that would help offset Australia's increasing dependence on imports for liquid transport fuels.

Chevron's LNG interests in Australia were seen as being its 50 per cent stake in the Gorgon project, which for more than a decade has been trying to commercialise Australia's biggest gas fields on the North West Shelf.

In presentations to both the federal and West Australian governments recently, Chevron has been short on detail on what it wants to do with Wheatstone even though it has resolutely argued the reservoir will not be part of the supply for Woodside's \$12 billion Pluto LNG development now under construction.

(As an aside, it is understood that at the initial planning stage for Pluto, Chevron was offered an equity stake valued around \$170 million but declined. As the final investment decision approached last year, Chevron apparently relented, but was told the price of the Pluto stake had risen to more than \$1 billion.)

Chevron and its Gorgon partners, Exxon-Mobil and Shell, are in a bind. They want to commercialise some of Australia's best gas assets — ExxonMobil's contribution is the Jansz field, reputedly Australia's largest with an estimated 22 trillion cubic feet of gas — but the costs of the Gorgon LNG proposal are out of all scale to potential returns.

Gorgon is in the WA Government's books at \$11 billion but that's a figure from several years ago.

Now substitute a figure three times that for a plant that has a production licence for 10 million tonnes a year and the economics look more than a little shaky.

Admittedly, Chevron has said it wants to know what environmental approval hoops it will have to go through to lift Gorgon from two trains to three and output up to 15 million tonnes a year, yet there seems little urgency in presenting the formal request to the WA Government.

And that's probably part of the problem concerning Wheatstone.

For several years Chevron has talked expansively of its plans and has yet to deliver.

**NIGEL WILSON**  
THE WESTERN FRONT



That's why few in the oil and gas sector believe Chevron will actually build an LNG plant based on Wheatstone, even though that's what it is telling government it plans to do.

Wheatstone is about 85km southwest of the Goodwyn platform of the NW Shelf project but more than double that distance from the coast.

As such, it looks logical that it should be tied into the gas reserves for the Shelf project, of which Chevron is one of the six joint venture partners, or tied to Pluto, which is only slightly further to the west.

Train five of the NW Shelf development, already Australia's biggest resources development, is scheduled to come into production by the end of this year — lifting the project's capacity to more than 16 million tonnes a year.

For some years it has been reported that the gas available to the Shelf partners has been exhausted by their success in rolling over contracts with foundation customers in Japan, the \$25 billion Guangdong deal in China and smaller commitments to Korea.

This claim does not appear to take account of a number of small gas fields that are currently stranded on the Shelf.

Having said that, any further expansion of the NW Shelf project would appear to be more commercially attractive than investing in a greenfield LNG operation virtually next door.

A similar argument evolves for Pluto where Wheatstone is regarded within the gas industry, if not within Chevron, as a possible supplier to the Pluto 2 plan, which Woodside's Don Voelte says is well into the planning stage.

Pluto 2 would be located on the same site as Pluto 1 which Woodside is promoting as the Burrup LNG Park that Woodside says is being designed to process gas from Pluto as well as other regional fields.

There is also the view, not a million miles from Chevron's Perth headquarters, that that company does have to get some operational runs on the board.

But why not gas to liquids or even domestic gas rather than the problematic returns from a small, stand-alone LNG plant?