

Scorn for gas output prediction

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WOODSIDE Petroleum's chief executive, Don Voelte, has poured cold water on the suggestion Australia could triple its liquefied natural gas production over the next decade.

The Australian Petroleum Production and Exploration Association has targeted a rise in production from 20 million tonnes last year to 50 million or 60 million tonnes by 2017.

"I'll just say it's my considered opinion that is not an aspiration," Mr Voelte told the media in Perth yesterday. "It's not even a dream. It's impossible. It is not going to happen."

Woodside operates six out of the seven LNG plants in production or under construction in Australia, including five at the North West Shelf joint venture. International oil companies including Chevron, Shell and Japan's Inpex have proposed other projects offshore of Western Australia, such as the long-delayed Gorgon joint venture led by Chevron.

Mr Voelte said there were so many proposed projects - and so much uncertainty over which ones would proceed - that it made it difficult for Asian LNG buyers to sign supply agreements.

Mr Voelte worked at Mobil when it picked up an interest in the \$20 billion-plus Gorgon project through an acquisition in 1994.

"When we bought it, our economic models said Gorgon would be [approved] in 1997," he said.

"Here it is 11 years later and it's another year out. Then it's another year out. When does it stop? I'd rather they just get the damn thing built because I plan my contractors around it and everything else."

Last year Woodside approved construction of the first production train at its wholly owned \$12 billion Pluto project. The company has not yet proven up enough gas to feed a second train, but Mr Voelte said Woodside was likely to order long lead-time items after finishing engineering work at this end of this year. "It's really easy to sell the equipment if you don't use it," he said.

He said the second train timetable would remain intact as long as the project was approved by the end of next year.

On Tuesday, Ben Hollins, the head of European gas and power consulting for Wood Mackenzie, said the second train at Pluto appeared to be the most advanced LNG project in Australia not yet approved for construction.

Mr Voelte said he thought the projects most likely to be built in the near-term in the region were the ExxonMobil-led Papua New Guinea LNG project and a coal-seam methane-based LNG plant at Gladstone.

Mr Voelte warned it would be particularly challenging for Australian exports to remain competitive under an environment where carbon was taxed, noting LNG competitors such as Qatar, Trinidad and Tobago, Nigeria, Indonesia and Malaysia had not signed the Kyoto Protocol.

"It's still a competition out there," he said. "[Customers] can go to Qatar and get the gas. Qatar can undercut us."