

Voelte holds all the aces as gas train steams on



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Do not be surprised to see Don Voelte suggest a change of name for Australia's biggest oil and gas company to Woodside Infrastructure.

After all, if you believe Mr Voelte's surprise spray at his industry peers this week, the game is no longer about petroleum supply but infrastructure security.

And it is in the infrastructure game that the Woodside chief executive claims to hold all the aces.

Sure, Chevron, ExxonMobil, Royal Dutch Shell and Apache might all hold more gas resources than Woodside, but Mr Voelte is the only player to have the infrastructure in place in WA (or at least under construction) to turn gas in the ground into money in the bank.

And it is a point Mr Voelte rammed home on Wednesday. His outburst coincided with the final day of this year's Australian Petroleum Production & Exploration Association conference in Perth, which was told a trebling of Australian LNG production by 2017 was a realistic target.

"This is not an aspiration, it's not even a dream, it's impossible," he said in response. "It's not going to happen."

Mr Voelte's aggressive put-down of the APPEA target, exacerbated by

the fact he failed to attend this year's conference which was held a five-minute stroll from Woodside's HQ, went down like a lead balloon with conference organisers, led by association chairman Colin Beckett.

But even Mr Beckett, whose day job is focused on advancing Chevron's complicated Gorgon project, would be privately admitting to some doubt about whether Australia's petroleum industry can build an estimated eight to 10 LNG processing trains within the next decade.

Over the past 25 years, seven trains have been built or are under construction, of which six are in WA and all operated by Woodside. The other one is operated by ConocoPhillips in Darwin.

The mood among APPEA's 2600 delegates was buoyant because of soaring petroleum prices and the bonanza that comes with \$100 billion of projects under construction or in planning.

But Mr Voelte went out of his way to burst their bubble. Call him brash, radical or even rude, but the Nebraskan is far from stupid.

As he nears the end of his five-year contract as chief executive — his term is due to expire in a year's time but can be extended or renewed, which investors would no doubt welcome given Woodside's market outperformance since he joined in April 2004 — Mr Voelte is playing a clever game designed to distance Woodside from its peers.

He knows how hard it is to develop a new big-ticket resources

project in Australia (the \$12 billion Pluto venture required 454 approvals but the first LNG train should be in production by 2010). Heck, he said, Gorgon was slated for final investment decision in 1997, and look what has happened — still no development go-ahead.

Not surprisingly, Mr Voelte claims the industry is not facing excessive red tape, especially environmental constraints; that Australia's strict immigration regime, which is stifling the import of skilled labour, is workable — "and that's good. We are not complaining" — and that the country's tax incentives for the industry are "darn good and world competitive", contrary to what some of his peers say.

The last thing he wants is to make it easier for his rivals to get their own LNG projects up and running.

Instead, he wants them to beat a path to his door and offer their gas to him on knock-down terms, knowing the only way they can commercialise their offshore discoveries is through Woodside infrastructure.

The under-construction Pluto plant on the Burrup Peninsula has potentially two LNG trains to offer Woodside's rivals — at the right price. Chevron baulked but Apache is still understood to be in talks.

And based on Mr Voelte's glowing support of the WA Government and his much-hyped claim he can deliver projects, do not be surprised to see Woodside in the driver's seat when it comes to determining the running of a Browse LNG hub somewhere on the Kimberley coast.

Woodside owns enough gas off the Kimberley to underpin its own trains but would no doubt love to be owner-operator of additional trains filled with third-party gas.

Mr Voelte's comments this week will have rankled his peers, mainly because they would have hit a raw nerve. Building projects in Australia, in particular WA, is becoming more difficult. And first-mover advantage like the one enjoyed by Woodside has never been so powerful.



End zone: Don Voelte is playing a clever game designed to distance Woodside from its peers.

