

LNG buyers paying more - Woodside

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CONSUMERS of liquefied natural gas are today more willing to pay as much as they would for oil to use the cleaner energy source, according to Woodside Petroleum.

"Buyers are increasingly prepared to pay prices for LNG which are close to oil-price equivalent," despite huge jumps in oil prices, Woodside Petroleum (ASX: WPL: quote) chairman Michael Chaney said.

LNG - gas that has been cooled to liquid for transport in ships - has previously been supplied at a cheaper rate than oil, but demand is surging as energy use grows and countries seek cleaner forms of energy than oil and coal.

Woodside Petroleum chief executive Don Voelte said he had signalled a portfolio review in light of the growing global demand for LNG.

Shares of Woodside rose 2.5 per cent to \$57.30 in late afternoon trade, as the benchmark S&P/ASX 200 Index lost 0.3 per cent.

"We have been putting this shift in strategy into effect, by increasingly concentrating on Woodside's core Australian assets," he said.

"This is evidenced by our agreement earlier this year to purchase Shell's North West Shelf oil interests, subject to your (shareholder) approval here today."

The chairman of the oil and gas explorer also emphasised Woodside's ambitious LNG aspirations.

Woodside operates more than \$22 billion worth of projects, and today said the challenges of bringing on more projects are growing.

"Developing major resource projects is becoming an increasingly expensive proposition," Mr Chaney said in a statement to the company's annual general meeting in Perth.

"Scarcity of labour and the increasing cost of materials are now the greatest challenges to your company's growth and profitability," he said.

Woodside, Australia's second-largest oil and gas producer, maintained its 2008 production guidance at the AGM, and said it would not take high oil prices for granted over the long term.

"Our project economics are based on a more conservative outlook and, importantly,

we are determined to ensure that our costs are well controlled so that, if and when prices fall, we remain profitable," Mr Chaney said.

Woodside had targeted production at 80-86 million barrels of oil equivalent (Mboe) for 2008, up from the near-record 71 Mboe in 2007.

Mr Voelte told the meeting that the 2007 profit of \$1.03 billion had been adversely affected by changes in the exchange rate and a book-loss on the sale of its underperforming Chinguetti project in Mauritania.

He said the 2008 target was the best performance estimate of nine projects in three continents, comprising dozens of facilities across about 40 oil and gas fields.

Dow Jones Newswires, AAP