

# Management digs in on expansion

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Comment

WOODSIDE promotes itself as a potential world leader in LNG.

Indeed, its track record of managing or owning six out of the seven LNG processing facilities either operating or under construction in Australia gives it clout.

But even Woodside is finding the going tough.

Two years ago Woodside's management decided to change direction from its strategy of diversifying across Australia and the world from its core North West Shelf LNG and domestic gas businesses.

Instead, it would expand by doing what it knew best — developing its LNG into a huge business in which Woodside would have equity stakes in close to 30 million tonnes of LNG production a year.

In effect, what Woodside

wanted was to build one LNG processing train every two years, maximising synergies by allowing contractors to roll their business from one plant to the next.

That is highly profitable for both Woodside and the federal Government, which gains most from royalties and profits generated by increasing LNG market values.

Yet Woodside CEO Don Voelte was forced to concede yesterday the next step on the LNG program is in doubt.

On the back of the challenges of scarcity of labour and the high cost of materials which have led the Nebraskan to question national LNG forecasts, he has now conceded there's not currently enough suitable gas to produce continuous LNG plant construction in Western Australia.

Some suitable reserves might be found later this year, or Woodside may be able to do a supply deal with a third-party

producer, but the latter in particular is unlikely in the short term.

Indeed, Mr Voelte quite specifically yesterday rejected the possibility of Japanese group Inpex supplying gas to Pluto-2 from its Browse Basins Ichthys reservoir many hundreds of kilometres to the north.

Inpex might become a co-location partner in plans to develop three gas reservoirs in the Browse Basin but there was no thought that Ichthys gas could be used in Pluto-2.

Mr Voelte has maintained the Pluto site on the Burrup Peninsula is Western Australia's best LNG real estate because it already has environmental approvals.

But that carrot has yet to tempt Woodside's competitors to enter into new partnerships.

If that situation persists, Woodside will have continuing difficulties with its LNG development strategy.