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Fifth train problem to cut $193m of gas sales

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The North West Shelf Venture is being forced to delay $193 million worth of liquefied natural gas (LNG) shipments because of technical problems at the Karratha plant's fifth processing train — which was only completed in September.

Don Voelte, chief executive of Shelf operator Woodside Petroleum, said the fifth train was operating at only 80 to 90 per cent capacity because of problems with the heat exchangers.

The train, which cost $2.6 billion to build and should be able to produce 4.4 million tonnes of LNG a year, started operating in September, a month ahead of schedule.

In a world-first, it was constructed overseas and in modules before the parts were shipped to the Burrup Peninsula for assembly.

Mr Voelte told investors in Sydney yesterday that a design modification had caused unexpected problems with the heat exchangers upon assembly, and had resulted in the forced drop in production.

He said his operations team had decided to wait until the one-year maintenance shutdown next September to fix the problem, rather than to take immediate action.

However, the decision would reduce LNG cargoes by "about one a month" until the problem was fixed.

Mr Voelte said he expected about nine cargoes to be lost because of the problem. Customers had been informed.

Woodside sold 206 LNG cargoes last year, reaping $737.8 million for its one-sixth share of sales revenues. Based on last year's sales figures, each LNG cargo sold by the six venture partners was sold for $21.5 million, meaning that nine cargoes would reap at least $193 million in revenue using last year's prices.

The venture partners expect to sell about 250 cargoes this year, after taking into account the problems.