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Pluto nod gives Woodside edge in gas expansion

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Woodside Petroleum, which on Friday gave a final go-ahead for the $12 billion Pluto liquefied natural gas project, is now in a position to trade a stake in the largest single investment by an Australian company for a foothold in the Atlantic basin gas market.

The oil and gas producer last year bid $US883 million for Energy Partners, saying the unsuccessful takeover was part of its strategy to gain gas assets in the United States, and diversity away from its position in the Pacific LNG market.

Analysts say now that Woodside has committed to the Pluto investment, managing director Don Voelte will have a strong hand in negotiations with potential partners that have Atlantic assets and exposure to the growing US and European gas markets.

"They've got themselves into an attractive position," Wood Mackenzie's global head of LNG consulting, Frank Harris, told *The Australian Financial Review* from Edinburgh. "He [Voelte] might try and use it as currency for a stake somewhere else."

But Woodside has benefited from having sole ownership of Pluto, which was only discovered in April 2005, and is due to ship its first LNG to Japanese customers by late 2010.

"The fact that they've done this with 100 per cent has captured the imagination of the industry," Mr Harris said.

It may influence other oil companies when bidding for exploration licences, with more choosing to keep 100 per cent so they don't suffer the delays that have plagued other projects, including the Gorgon joint venture between Chevron, ExxonMobil and Shell.

"One of the things that hasn't helped Gorgon is a potential misalignment between the partners," Mr Harris said.

Mr Voelte has promoted the offshore platform for Pluto, and the onshore liquefaction plant on the Burrup peninsula, as a potential processor of gas for other companies.

They would be able to take advantage of the work Woodside had completed securing more than 450 approvals, and finding a suitable site.

"That gives other companies the opportunity to not go through all that and be able to place their gas," Mr Voelte said.

Potential partners include Chevron, whose Wheatstone discovery in the adjacent exploration block is a similar size to Pluto. But Woodside might prefer to expand with wholly owned discoveries, if it found them before it went ahead with the planned second and third stages of Pluto, Mr Harris said.

"Once you start to bring in Apache or Exxon or Chevron, it complicates it," he said. "It starts to slow things down. The whole industry in LNG is characterised by delays."

The Woodside board on Friday approved a further $11.2 billion in spending on Pluto, on top of $796 million already spent. The total exceeds the company's guidance of $6 billion to $10 billion last December, and gives a cost of more than $US2000 ($2300) a tonne of annual production.

"This is the first project that's taken a final investment decision in the new cost era," Mr Harris said.

Woodside will benefit from building Pluto after Train 5 of the neighbouring North-West Shelf Project, which in turn immediately followed Train 4.

But Woodside will also be at risk of any delays on Train 5 affecting Pluto. Mr Harris said.

"This has captured the imagination of the industry."