Woodside pulling out of Africa

In the pipeline … Woodside's planned exit from its African operations would allow a shift in focus to Western Australia.
Photo: *Michele Mossop*

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WOODSIDE plans to pull out of its African oil and gas operations to focus on its aggressive $30 billion-plus growth plans for its West Australian export gas business.

The move comes in response to booming global demand for liquefied natural gas.

Woodside's managing director, Don Voelte, revealed the exit from Africa and the group's ambitious expansion plans at a briefing on the group's $610.1 million profit for the June half - a 16 per cent increase on the $524.4 million posted in the previous corresponding half thanks to increased production and asset sales.

"Things are breaking loose for us right now in this industry," Mr Voelte said of the supercharged growth potential in the LNG business. "People are trying to grab large chunks of gas."

Funds freed by the African exit - either by trade sales or a more radical float/demerger option - would go part way to funding the group's ambitious growth plans for its LNG business, which was recently kicked off with an $11.2 billion commitment to develop the Pluto LNG project by the end of 2010.

Development of the group's Browse Basin LNG project and the Sunrise LNG project in the Timor Sea could follow by 2012 and 2014 respectively, enabling Woodside - of which Shell owns 34 per cent - to capture its full share and more of the boom in global demand for LNG.

Asked if Woodside could commit to development of Browse or Sunrise while Pluto was still in construction, an upbeat Mr Voelte said: "Oh yeah, we absolutely plan to. People, don't think this company stops after Pluto. This is the first in a line of opportunities that this company has.

"We have an aspiration for the company where we would like to utilise the same contractors from [gas processing] train to train. What our people tell us is that somewhere between 18 and 24 months is the proper staging of these trains, and we clearly see five or six trains out there. We've got the gas on the [North-West] Shelf to do it."

The group's financial capacity to undertake the expansion opportunities without having to raise equity funds is increasingly the subject of debate. Mr Voelte said the company had a plan that said its aspirations "should not be limited" by financial constraints.

The African exit is part of that plan. So is the reactivation of an underwritten dividend reinvestment plan and the decision to go with a dividend for the June half of 49c a share (fully franked) for the June half. The dividend will be paid on September 26 to shareholders registered at August 31. The ex-dividend date for the interim is August 27.

Cost pressures have continued to haunt new projects. Mr Voelte confirmed that the cost of Train 5 expansion of the Woodside-managed North-West Shelf gas project and Woodside's soon-to-produce Otway gas project in Victoria had risen substantially.

Originally approved as a $2 billion project in June 2005, the cost of the Train 5 expansion was revised in September last year to $2.425 billion.

But continuing pressures have carried the final cost to $2.6 billion - a $175 million increase on the September 2006 revised estimate and 30 per cent more than forecast in 2005.

The cost overrun at the much-delayed Otway gas project could be as much as 20 per cent on the May 2004 final cost estimate of $811 million.