Woodside Petroleum CEO sees way forward for Sunrise gas

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The sea border between Australia and Timor-Leste was the subject of protests in Dili last year. *Wayne Lovell/Timor Photography*

Woodside Petroleum chief executive Peter Coleman has suggested a way through the apparent impasse in the Greater Sunrise venture in the Timor Sea, which would see the Australian company invest in only part of the project.

Mr Coleman raised the possibility of Woodside only investing in the offshore gas production part of Sunrise, leaving investment in the riskier onshore plant in Timor to others.

The suggestion comes after the $US350 million deal struck late last month by Sunrise partner ConocoPhillips to sell its stake in the venture to the Timor-Leste government, which is insisting the gas is treated in a processing plant built on its southern coast.

Speaking after Woodside posted a 25.4 per cent jump in September quarter sales, Mr Coleman stuck by his view that an onshore LNG plant in Timor wouldn't meet Woodside's investment hurdles but suggested an alternative way forward.

"If you disaggregate the project – meaning that the ownership of the onshore plant and the pipeline is different from the upstream – then we can see a pathway to investing in the upstream and that's a model we see in Indonesia and Malaysia that works quite effectively," he told *The Australian Financial Review*.

Woodside and its other partners in Sunrise, Shell and Osaka Gas, have pre-emption rights over Conoco's stake, with a decision on whether to exercise those to come "shortly", said chief financial officer Sherry Duhe.

She said Woodside still also needs to wait for the Australian and Timor-Leste governments to work with each other to transition from the current licences for Sunrise to a new system with equivalent terms, after the maritime border deal between the two struck this year.

The Timor-Leste government would also need to find funding and partners for the onshore LNG plant.

'Positive about progress'

Meanwhile Woodside reported progress in its September quarter towards a final investment decision in 2019 on its $US11 billion ($15.5 billion) Scarborough project in Western Australia, which would see gas from the field processed in a second LNG train to be built at the Pluto plant near Karratha, and in 2020 on its Browse venture.

Preliminary agreements that will set terms for both the Browse venture and Chevron's Clio-Acme venture to process gas through the North West Shelf plant are expected "shortly", the company said.

"We're feeling quite positive about the progress that's been made," Ms Duhe said.

"With the combination of Browse and Clio-Acme, more confidence is building in the North West Shelf about its ability to transform itself into a multi-user toll processing facility into the future."

At Scarborough, Woodside has an offer on the table to its existing Pluto partners, Tokyo Gas and Kansai Electric, to enter into the Scarborough venture, with several other parties also interested if the Japanese pair decides against an investment.

"We're in conversations with multiple parties right now," Ms Duhe said. "We haven't taken it to point where it's narrowed to a short-list but we've had more interest than we thought we would around equity participation both in Scarborough and Pluto and a significant number of those are also interested in significant offtake."

Woodside's third-quarter performance was driven by outperformance at the Wheatstone LNG project in WA, which contributed to a 13.8 per cent increase in production from a year earlier to 23.1 million barrels of oil equivalent. Higher prices also helped lift sales, to $US1.16 billion.

RBC Capital Markets analyst Ben Wilson described the quarterly performance as "solid ... on the production front", thanks to Wheatstone ramping up to full capacity faster than anticipated. But he said the sales figures missed his forecast because of the timing of shipments of LNG that should be made up later in the year.

Shares in Woodside closed down 0.8 per cent at $36, influenced by a drop in global crude prices overnight.