

# A liquid legacy

TOGY talks to

**Don VOELTE**  
CEO

**WOODSIDE ENERGY**



**THE OIL & GAS YEAR:** *As the largest independent oil and gas company in Australia, what are Woodside's origins and what is its business profile?*

**DON VOELTE:** Woodside is a top 10 listed company in Australia, so even though our market capitalisation may be small compared to other companies in the US and Europe, we are a pretty large player in Australia.

Our history dates back 55 years, the last 25 of them have been the most exciting. Woodside has 3,100 employees and on any one day, it has 20,000 to 25,000 people working on projects and operations. This gives a ratio of a little less than 10 consultancy contractors for every employee. This is how we like to work through the peaks and troughs. We are very aggressive and believe that when we sign contracts with the government to find oil and gas, our obligation is to develop our resources.

**TOGY:** *Woodside is no longer a traditional oil and gas company in that the majority of its revenue now comes from the sale of LNG. What are your operations in the LNG sector?*

**DV:** We have built six of the seven LNG trains in Australia that are either operating or under construction. If you leverage LNG either by operations – billions of tonnes – by equity or by market capitalisation, Woodside is the most highly leveraged LNG company you can invest in around the world. That includes ExxonMobil, Chevron, BP and even BG. This gives a small company like ours a lot of pride. We have great assets but even better yet, we have great people in our company.

We offer a stable working life and family life. Our employees enjoy a good quality of life and the ability not to have to move around the world. I think it is a very good proposition for our employees and that is why we have gathered the world's best people.

**TOGY:** *What is preventing Woodside from operating LNG projects outside of Australia?*

**DV:** The first reason is that we do have the "throw weight" LNG. We move LNG out of the North West Shelf and we will do the same out of Pluto. We have moved cargo to the east coast of the US, to Turkey, Spain, France and all the North Asia markets of Japan, Taiwan, Korea and China. We are global in terms of marketing.

We have a logistic advantage from Western Australia and northern Australia to what we call the golden route north, which starts in Singapore,

*"By equity or by market capitalisation, Woodside is the most highly leveraged LNG company you can invest in."*

goes through Hong Kong, Taiwan, China, Korea and Japan. We can satisfy our entire delivery for those countries alone. We are very strategically and logistically advantaged.

Why go to any place else when we have 15-20 years of development right here in our own backyard. Right now, our reserves-to-production level on a proved basis is 16 years. Once you add our contingent resources of Browse and Sunrise, we have just under 50 years of resources ahead of us.

Do we look around? Yes. We keep our eyes open to see whether there is something in Indonesia, Malaysia or Africa that could be developed into LNG, but nothing we have seen so far stacks up against anything we have in Australia.

**A**ustralia's historic LNG development would not be possible without Woodside. Australia's largest publicly traded oil and gas exploration and production company, one of the world's most prolific LNG producers is the industry's pioneer, and the company's assertive CEO, Don Voelte is its unofficial spokesman. ■



photo courtesy of Woodside Energy Ltd

Woodside enjoys Australia's easy access to the lucrative markets of the Far East

Working from Australia, we operate on a global basis by attracting exploration and production contractors, equipment and everything related to construction. Companies from approximately 40 countries participated on the first LNG train at Pluto 1, which we are building right now. We are building the modules in Thailand, our jacket for the offshore platform is being built in China and our topsides are being built in Malaysia. You can easily see that we are very global in that respect because Australia does not have enough capability to do everything here.

**TOGY:** *What is your assessment of the country's potential as a venue for oil and gas investment?*

**DV:** Australia is a world-class gas province. Statistics say that there are four countries that have under-produced their known gas resources, and Australia is clearly one of those four. We think that Australia will probably be exploited more than any other country over the next 10-15 years. Therefore, we think the future for LNG is very bright here. It is hard to build in Australia because there are not a lot of people here and government requirements, although proper, make it difficult in terms of the environment, emissions and other related issues.

**TOGY:** *For Woodside, 2008 was the third record profit year in the last five years, the fourth consecutive year of increased production and the fifth consecutive year of increased revenue and cash flow. During a cycle of volatile energy prices and global economic uncertainty, how do you account for your results and leverage them for the future?*

**DV:** We are very aggressive and we believe in what we do – we try to ride through the economic cycles. I think the advantage we have over all the other oil and gas companies is that we stay focused on our main product and we are very focused geographically. Why is that important? Because LNG gives you that one great opportunity that oil does not. In oil, you are

always chasing a declining curve, which means you are peddling really quickly on the treadmill just to break-even. In our case, bringing an LNG train online gives us a 20-30-year project life. In the case of the Northwest Shelf, it is 50 years. In a few years, 85 percent of our revenues will be from LNG. This tells you that we, unlike other companies, do not have to chase a decline. We can continue to build through economic recessions, even though our profitability in 2009 suffered like everybody else's. Still, we have the ability to cut back on capital funding and put it directly into long-term assets.

**TOGY:** *At Woodside's annual general meeting this year, your chairman, Michael Chaney, said one of the main challenges facing your industry is the government's proposed carbon trading scheme. How serious is this threat and how extensive would the impact be on your business?*

**DV:** The desired state for the world is all renewable energy, sometime in the future. We know that that cannot be tomorrow, and so in the meantime, Woodside Energy is very interested and proactive in reducing greenhouse gases as part of the country's total energy consumption.

We are not against any emissions trading scheme – we are in favour, in principle. We are clearly not against the "cap and trade system" either, but we do not think the government has it quite right. We are quick to say that governments usually do get these things right, but when the emissions trading scheme was initiated, there was no recognition that LNG was part of the solution and not part of the problem.

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We have given the government evidence to show that the LNG we ship to foreign markets actually reduces greenhouse gases by a factor of four in the most developed countries, such as Japan, all the way to up to factor of 9.5 in China, compared to the emissions produced in Australian when processing LNG.

We have been able to convince some people in the government that LNG is the best answer Australia has to reduce greenhouse gases around the world. So far the system has been designed just within Australian boundaries and does not account for the emissions that we produce compared to the emissions offset in the country that burns Australia's LNG product. But we are making headway and we are convinced that as we continue to work with the government, we will make more progress.

**“Our industry is valuable to the quality of life for Australians and also for the tens of billions of dollars that these projects spin off into rent and royalty for the government.”**

**TOGY:** Does the government see how significant the impact of the development of natural gas will be on the Australian economy?

**DV:** Australia is going through a recession, albeit not as bad as the one faced by Europe and the US. Kevin Rudd, the prime minister, has tabled a A\$43 billion (\$38.98 billion) stimulus package, of which A\$19.85 billion (\$18 billion) was for infrastructure and the rest for individuals.

Interestingly, the proposed Gorgon LNG project in Western Australia, which is a A\$50 billion (\$45.32 billion) venture, will in itself be bigger than the stimulus package. And Woodside Energy is putting forward 90 percent of the costs of Pluto, a A\$12 billion (\$10 billion) LNG project in the Northern Carnarvon Basin, Western Australia. We are a big stimulus package too.

The federal government takes these projects very seriously and appreciates the economic impact. A study by the state government of Western Australia concluded that our North West Shelf project is worthy of more than 100,000 jobs on a day-to-day basis. We recognise that we need to have a minimum environmental footprint and the latest technologies, but what we do to the economy by providing jobs and providing a stimulus is really a balancing act.

These projects are massive and are extremely capital intensive, and they create tremendous high-paying jobs. Our industry is valuable to the quality of life for Australians and also for the tens of billions of dollars that these projects spin off into rent and royalty for the government.

**TOGY:** How do you assess Woodside Energy's position and its medium-term prospects?

**DV:** We think we have a very good position. Once Pluto 1 comes online, we will immediately increase our production of equity LNG by a factor of 2.5. That is 35 million barrels of oil equivalent, which for our size is huge.

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In the next two or three years, we have great growth prospects, tremendous cash flow even in this down period of commodity pricing. I might just say that everybody thinks of \$50 or \$60 per barrel as a low price for oil, but we can do just fine at those price levels.

As to five years from now, we certainly expect to be well along construction in Browse. We would expect that Pluto 2 and 3 would be built by 2014. Browse could be completed as early as 2016 and Sunrise could be done before then. During that time, we can continue multiplying our company because we do not have much of a decline curve from our existing projects. ■



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