

## 4. BROWSE BASIN GAS - PROCESSING OPTIONS

With the backing of WA Premier Colin Barnett, Woodside Energy Ltd is aggressively trying to start work on a huge 'greenfields' gas processing hub and industrial port at James Price Point on the Kimberley coast near Broome. The project is a joint venture with Shell, Chevron, BHP and BP to process gas from the Browse Basin field, 300 kilometres off the Kimberley coast.

Despite the project NOT having the required State or Federal environmental approvals, Woodside is locked in a battle with local Broome residents who have gallantly blockaded bulldozers sent in by the company to commence land clearing and other works<sup>1</sup>.

Opponents of the James Price Point project say there are other alternatives for Browse gas processing that would have little or no impact on the Kimberley coast – one of the natural wonders of the world. These alternatives could also deliver a similar level of economic benefits promised to Kimberley communities.

There are two main alternatives (and a third option of leaving the gas in the ground as it will create enormous quantities of greenhouse gas emissions however it is processed): Piping the gas south to existing industrial infrastructure in the Pilbara, or using offshore 'floating' LNG technology.

Just to the north of the Browse Basin, Woodside is pursuing floating LNG for processing gas from its 'Sunrise' gas field in the Timor Sea<sup>2</sup>. Ironically, Woodside's pursuit of floating LNG is in defiance of the government of East Timor (Timor Leste) which wants the LNG processing to occur on the Timor mainland. To add to Woodside's hypocrisy vis-à-vis James Price Point, departing Woodside CEO Don Voelte told the Timorese they would get **\$13 billion** in benefits from the project despite the fact that offshore processing would be used<sup>3</sup>.

When this option for Browse gas processing has been raised with the WA government and Woodside, people have been dismissively told that floating LNG is 'experimental'; isn't able to process enough gas quickly enough (to maximise export profits); would not deliver benefits to Kimberley communities; and could not be used in the Browse due to cyclone risk.

In fact, floating LNG is now clearly not experimental. Not only is Woodside pushing ahead with it in the Timor Sea, but Shell, one of the joint venture partners with Woodside in the Browse project, is developing floating LNG for its separate, wholly-owned 'Prelude' gas field off the Kimberley coast<sup>4</sup>.

Shell's choice of floating LNG in a field close to the Browse LNG Joint Venture project not only further demonstrates the viability of the technology, it also contradicts Woodside's claims as to cyclone risk<sup>5</sup>.

So, floating LNG is viable; is being adopted by companies including Woodside and Shell; can be developed in cyclone risk areas, with appropriate safeguards; and can provide substantial benefits to local communities.

When its all boiled down, the real reasons floating and piping options are not currently being (publicly) considered in place of the destructive James Price Point hub are, (a) the political stubbornness of WA Premier Colin Barnett, who is determined to leave his industrial footprint on the Kimberley, and (b) Woodside's selfish calculation that it can make more profits more quickly from land-based processing in the Kimberley while opting for floating LNG in the Timor Sea.



Floating LNG processing image courtesy of [theenergycollective.com](http://theenergycollective.com)

### ● STOP PRESS: What the analysts say

- Piping option "\$10billion cheaper than James Price Point": **Credit Suisse**
- Piping to North West Shelf LNG plant "more economic": **Citi**
- Joint venture partners and Asian buyers not seeing James Price Point as "credible": **Macquarie Equities Research**
- "The floating option's cheaper than just about anything else": **CLSA**

## ● Buyer doubts and rising costs

**JP Morgan:** "The Browse project faces a series of significant challenges. The proposed site location at James Price Point is an area of cultural and environmental significance. Woodside had reached an agreement with the traditional owners of James Price Point (as represented by the Kimberley Land Council) in May 2011. However, in December 2011 the Western Australia Supreme Court ruled that the State's move to compulsorily acquire land at James Price Point invalid. This is likely to result in further delays as Woodside seeks to clarify the "notices of intention to acquire".

In any case, Woodside announced in December 2011 that it is seeking an extension to the Browse retention licenses to allow an extension of the required FID date from mid 2012 into 2013. This is a clear indication that Woodside is not ready to move forward with the Browse project.

Aside from traditional owner opposition, we believe the Browse project is suffering from a lack of joint venture party alignment. We believe the Browse JV partners (excluding Woodside) would prefer to delay the commercialization of a Browse green field project and instead pipe the gas back to the NWSV in 2022+ to fill capacity on the five trains in place. The Browse project is technically complex, high cost and high in CO<sub>2</sub>, all of which combine to produce a **very challenging project.**"

### Woodside likely to face delays on Browse - analysts

PERTH, Dec 5, 2011 (Reuters)

Industry analysts say Woodside's gas reserves from the Browse Basin are now more likely to be redirected to its existing North West Shelf LNG plant, an option that may provide a better return on investment.

"It's clear that the joint venture partners are not that enthused about that [James Price Point] option and that means that the Asian buyers are not seeing it as a credible development," said Adrian Wood, an analyst with Macquarie Equities Research in Sydney.

"All this time stagnating is eroding the economics very quickly because we are seeing upstream cost inflation in Australia of anywhere between 10 and 15 percent per annum," Macquarie's Wood said.

Given the rising costs, some in the industry said a floating LNG might be a more likely option.

**"Generally speaking, I think the floating option's cheaper than just about anything else,"** Di Brookman, an energy analyst with CLSA in Sydney said, but added that the presence of an offshore reef may limit that possibility for environmental reasons.



## Woodside's \$30bn Browse LNG plant in doubt

The Australian - December 05, 2011

WOODSIDE Petroleum's plans to build the \$30 billion-plus Browse liquefied natural gas plant near Broome appear to have become less appealing against the alternative of piping the gas 1000km for processing at the North West Shelf plant near Karratha when reserves there run low.

After recent industry developments here and in the US, analysts now put a greater probability on the Browse project's offshore gas fields being turned into LNG at the North West Shelf and say this would give the project a greater value.

Credit Suisse analyst Sandra McCullagh said she was now using a North West Shelf option as a base-case scenario.

"Woodside maintains a preference for James Price Point, but we expect that competition for skilled labour and recent LNG sales from the US at prices linked to Henry Hub (domestic US gas prices) could see a shift in the company," Ms McCullagh said.

On top of this, development cost pressure, competition for scarce labour from eight other regional LNG plants under construction, no certain gas to extend the life of the Woodside-operated North West Shelf and LNG buyers' preference for expanding existing plants rather than building new ones make a James Price Point plant less likely, according to Credit Suisse.

**Credit Suisse has boosted its expected Browse development cost to \$US36bn, compared to a development cost of \$US26bn to use the gas to backfill [i.e. pipe to] the North West Shelf.**

## ● References

- 1 Hands off Country
- 2 <http://www.woodside.com.au/Our-Business/Sunrise/Pages/default.aspx>
- 3 <http://www.smh.com.au/business/timor-rejects-woodsides-oilfield-claims-20110424-1dsu7.html>
- 4 [http://www.shell.com/home/content/aboutshell/our\\_strategy/major\\_projects\\_2/prelude\\_flng/?gclid=CPv5nML6pakCFYqGpAodehPXuA](http://www.shell.com/home/content/aboutshell/our_strategy/major_projects_2/prelude_flng/?gclid=CPv5nML6pakCFYqGpAodehPXuA)
- 5 <http://www.businessspectator.com.au/bs.nsf/Article/shell-prelude-woodside-ann-pickard-pd20110525-H77WM?OpenDocument&src=kbg#do>
- 6 JP Morgan. Global LNG, *Global Equity Research*, 13 January 2012 pg 147.