Woodside pins hopes on Wheatstone future

By Peter Milne

Woodside chief executive Peter Coleman is putting his hopes on the ramp-up of Wheatstone going well as the Perth-based group braces for a big reduction in its domestic gas sales this year.

Woodside needs Wheatstone pumping over the next two years because Woodside’s share of North West Shelf’s WA gas sales will fall from 50 per cent to 16.67 per cent in May because of long-term joint venture agreements.

Woodside’s group production next year will feel the full 12 months of the North West Shelf change but Wheatstone partners are hoping they will have overcome delays by next year and have the project approaching fully operational.

“You should be looking at Wheatstone,” Mr Coleman said. “That’s the thing that is going to define the upside for us.”

There are questions about Wheatstone project operator Chevron delivering on budget and on schedule as it deals with significant unplanned work on its offshore platform.

Mr Coleman discussed the importance of Wheatstone yesterday and the company’s longer-term challenges after unveiling bumper production for calendar 2016 yesterday.

Its LNG production of 65.7 million barrels of oil equivalent in 2016 was 3 per cent higher than 2015, but predicted a 5-11 per cent production fall for this year.

LNG amounted to 67 per cent of the production, oil and condensate 17 per cent and domestic gas from the North West Shelf 14 per cent.

The energy giant lifted its total full-year production by 3 per cent to 94.9 million barrels of oil equivalent, hitting its guidance of between 92 million barrels and 95 million barrels.

The annual production was the second highest the company had ever achieved.

Mr Coleman said production performance had been outstanding, with LNG production reliability greater than 99 per cent for the past two quarters.

Mr Coleman said the prize for Woodside this year would be if Wheatstone could start up like the Woodside-operated Pluto project did in 2012 and achieve similar reliability.

“Start up and commissioning is something that Woodside has particular skills in with the North West Shelf and Pluto so we offered our people into the integrated team,” he said.

He said the group would have a nice pipeline of growth with Wheatstone train one this year, Wheatstone train two and domestic gas in 2018 and oil from Greater Enfield in 2019.

“Post 2019, we’re working hard this year to appraise discoveries in Senegal and in Myanmar,” he said.

Mr Coleman said by 2021 or 2022 there would be spare capacity in the North West Shelf’s five LNG trains as production from existing and planned fields declines. Mr Coleman sees small-scale projects filling the gap.

“The big guys will come in later in the decade,” he said, adding both the Browse and Scarborough fields would be vying to get into the North West Shelf.

Mr Coleman said the acquisitions were designed to give Woodside greater influence over developments.

Woodside now operates one major North West Shelf contender, Browse, and has a substantial interest and influence on the other, Scarborough.

It bought a 25 per cent stake in Scarborough from BHP Billiton in September.

With the BHP purchase, Woodside also acquired a 50 per cent interest in the Jupiter and Thebe fields.

Woodside shares yesterday finished 90c down at $32.08.