Woodside targets 4pc growth to 2027 amid global gas volatility

Environment and Water Minister Tanya Plibersek says the federal government is "determined" to do something… about energy prices. As part of the government's plan to lower energy costs, NSW and Queensland have been asked to enforce their own coal price caps in a move that would avoid the ... More

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2:07PM DECEMBER 1, 2022 • 1 COMMENT

controversial intervention aimed at cutting prices in the domestic market.

A price cap of $11-13 per gigajoule has been proposed to tame soaring domestic tariffs but Woodside said the move may see it freeze future investment on the east coast.

"I think we would struggle to see new investments be competitive with those sorts of price levels," Woodside chief executive Meg O'Neill said in reference to the price caps.

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"And that goes for investments within the Bass Strait joint venture as well as things like LNG import facilities. I don't want to say that that's not feasible, but the economics become significantly affected with pricing constraints in place."

The gas producer – which supplies 20 per cent of east coast domestic demand from Victoria's Bass Strait – said the move including a potential price cap would be a "black mark" against the Albanese government.

"If a government changes the rules – even for six or 12 months – what it says to us is that the government is likely to change the rules again," Ms O'Neill said. "So it's a black mark and it would make investing in Australia riskier than other jurisdictions."

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The Woodside chief also slammed a lack of consultation by the Albanese government with the gas industry.

"I think the fact that nobody knows how this would work would be a proof point that there's not been adequate consultation," Ms O'Neill said.

Woodside said there was uncertainty over several decades of future supply from the Bass Strait.

question of how much additional work would we do if the price is capped.

An LNG import plant proposed by Viva Energy at Victoria's Geelong Port, which Woodside is slated to supply, may also be threatened if intervention goes ahead.

"With price caps, that means the economics are more challenged," Ms O'Neill said.

Woodside is expanding its Pluto LNG plant in Western Australia through gas from its offshore Scarborough field. Picture: Woodside

Also on Thursday Woodside set a 4 per cent annual growth rate target from 2023 to 2027 and expects the fastest investment payback from its mainstay oil and gas business while expecting ongoing volatility from high energy prices.

The West Australian producer disappointed the market this week with a lower than expected production guidance for 2023 but said on Thursday production growth through to 2027 would be driven by its Sangomar oil project in Senegal and Scarborough gas development.

unit – which includes hydrogen and ammonia – is further back with a 10 per cent return over a decade-long payback.

Chief executive Meg O'Neill said volatility in the market was likely to remain for some time.

"The global energy transition can take many different pathways, including those that require strong demand for natural gas, particularly as the world phases down coal. But what the last two years have demonstrated is that the energy transition is unlikely to be a smooth, linear progression," Ms O'Neill said at its annual investor day in Sydney on Thursday.

"We are entering a period of highly volatile energy markets and prices and enormous amounts of investment is required in all forms of energy in the coming decades to meet demand under all scenarios,"

"We've seen this year the turmoil caused in energy markets by the Ukraine crisis, and the consequent threats to accessing reliable and affordable energy. LNG is part of the solution, allowing buyers to secure energy from suppliers from all around the globe."

Woodside said a selldown process for its offshore Scarborough LNG project is ongoing while a final investment decision on its $US5bn Trion oil discovery in the Gulf of Mexico will be made in 2023.

The West Australian producer's proposed selldown of Scarborough has been a stop-start process over the last two years.

Its $40bn merger with BHP Petroleum eased some financial pressure to strike a deal and in August Woodside said it was cautious on a long-held desire to sell half of its Scarborough gas project saying it would not engage in a "fire-sale" of any stake.

Woodside previously sold a 49 per cent stake to US investor GIP for its Pluto-2 LNG plant near Karratha that will process gas from the Scarborough field.

its decision in July to delay plans for a go-ahead this year amid rising costs for energy developments globally.

Woodside said it had mitigated some risks around project delivery with high labour and construction costs piling pressure on budgets for large developments.

“Inflation and supply chain pressures are currently affecting all parts of our industry. We’ve been able to mitigate some of these through our contracting strategies, and we continue to work with our contractors to minimise any impacts on Sangomar,” said Woodside’s executive vice president for projects Matthew Ridolfi.

It also revealed a hitch with its Scarborough approvals following a court decision that forced Santos to halt drilling on its $US3.6bn ($5.4bn) Barossa gas development in the Northern Territory.

“On Scarborough, we are continuing to work with the regulator to secure the secondary approvals that we need for the offshore part of the project,” Mr Ridolfi said.

“Some delays have been experienced and obtaining environmental plans in federal waters following the outcome of the recent federal court decision associated with the Santos Barossa proceedings. However, at this stage there has been no impact to the Scarborough critical path.”

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