



## **LNG SUPPLIES FOR ASIAN MARKETS (LNGA) 2019**

*From Regional to Global: Convergence of LNG Markets and  
Implications for Asia*

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#### **Interview: Australia's Woodside to increase short-term exposure as LNG contracts expire – CEO**

London — Australia's largest LNG producer Woodside Petroleum is planning to replace expiring long-term contracts with "far more flexible" deals of three to five years duration, CEO and Managing Director Peter Coleman said in an interview this week.

Nearly two-thirds of all the long-term contracts -- around 11 million mt/year -- from the Woodside-operated North West Shelf and Pluto LNG export plants in Western Australia are due to expire by 2025.

These volumes are largely contracted with Japanese power and gas utilities, which have been at the forefront of global efforts to drive flexibility in LNG supply, as LNG liquidity grows and downstream markets become more liberalized.

The volume Woodside plans to allocate to spot trading next decade will be unchanged at around 10%, Coleman said in an interview with S&P Global Platts on the sidelines of the LNG Supplies for Asian Markets summit, held in Singapore this week.

"We prefer short-term versus spot. We do not do a lot of paper [trading], so three to five years works better for us," Coleman said.

#### **SHIFTING RISK IN NEW SUPPLY**

For new supply, Woodside would be looking to secure long-term deals of 10 to 15 years, Coleman said, but replicating the terms of its legacy contracts, based on restricted destination and oil-linked prices, may prove more and more difficult as buyers are moving in the opposite direction

"Buyers are trying to dictate terms that make it very difficult to move forward and sanction major projects," Coleman said.

Growing liquidity means buyers have become more comfortable that there will be flexible, cost-competitive supply available, so they are now less keen on becoming upstream investors, which is shifting the focus of risk from buyers to sellers, he explained.

"We [sellers] are taking major capital risk, and are subject to four to five years of being out of the market while we are spending huge amounts of capital with the view that when we start to produce the market will be there," he said.

Woodside is expecting a final investment decision on the 6 million mt/year Pluto LNG expansion project, which will be connected to its Scarborough upstream development, by 2020 and to start operations by 2025.

The company is also developing the Browse Basin in Western Australia for a whopping 10 million mt/year of LNG production capacity that will backfill the North West Shelf project. The Browse-NWS development is expected to clear FID by 2021.

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