

Peter Coleman
CEO and Managing Director
Woodside Energy Ltd.

World Gas Conference, Washington D.C.
26th June 2018

Title: Fuelling the Future: The role of LNG in shaping the natural gas landscape

[CHECK AGAINST DELIVERY]

It is appropriate that a panel on LNG features prominently on the agenda of the World Gas Conference.

We all know gas must play a growing role as the world strives to reduce emissions while connecting more communities to power.

LNG makes this possible by offering an increasingly accessible option for buyers to secure reliable supply.

That's why demand for LNG in the past decade has grown at more than twice the rate of pipeline gas and is on the cusp of a further growth surge.

Let me explain briefly why LNG is the fuel of the 21st century, enabling a growing role for gas.

First, LNG delivers choice and flexibility that pipelines do not.

Sinking funds and time in laying a pipeline delivers dependence and limits choice. It provides only the illusion of secure supply and can leave a country vulnerable to geopolitical disruptions or field depletions.

Just look at what's happening in the Netherlands, where the steep decline in production from the Groningen field due to seismic activity poses serious challenges.

Or in China, when demand for gas was peaking during winter, Turkmenistan reduced pipeline gas volumes into the country.

An import terminal that links to a “virtual pipeline” of shipped LNG ensures resilience by giving the buyer access to diversified supply options.

Pipelines have long been the established delivery mechanism for gas in Europe, but LNG is making inroads.

Now we're seeing real appetite for gas in Asia - and LNG should be the first choice.

Secondly, the maturing of trading means buyers can secure the supply they need – and secure it on flexible terms at a competitive price.

We are transitioning from long-term contracts to more flexible arrangements that hold appeal for buyers who are looking to wean themselves off coal and ensure a reliable energy supply.

The shorter contracts give them a chance to try LNG – and the improvement in air quality will convince them to stick with it.

The growth in spot trading means cargoes are always available, in a range of volumes.

Pricing is increasingly globally-linked and determined through market competition, in contrast with the geopolitical and regional factors that influence pricing of other forms of gas.

Thirdly, LNG is versatile. It is the ideal partner for renewables. And it has a high energy density that is suitable for new uses, including as a transport fuel in shipping and trucking.

For all these reasons, the times suit LNG.

It is a vital 21st century energy source – clean, reliable, accessible and versatile.

That doesn't mean the role of an LNG producer is straightforward.

It's highly competitive – and becoming more so as new entrants join the industry.

The winners will be those who can develop a high-quality resource at low cost, with sophisticated marketing and trading arrangements, offering flexibility in contracting.

But the most important differentiator will be cost of supply.

That's been front of mind for Woodside this year as we outlined bold but simple growth plans to bring new resources through our existing facilities in Australia's north-west.

The North West Shelf Project has produced LNG for almost 30 years. The nearby Pluto LNG Plant shipped its first export in 2012. They are proven, reliable facilities that have together exported around 4,500 cargoes.

Woodside operates both LNG facilities – as well as the offshore Scarborough and Browse gas fields, having this year increased our stake in the Scarborough field.

Now we are talking to our JV partners about giving these facilities a new lease on life by upgrading both and expanding Pluto, to develop 20 to 25 Tcf of gas resources from Scarborough and Browse.

We propose to link the facilities to create the Burrup Hub – a regional LNG production centre that will supply customers for decades to come.

We are stripping the complexity out of development as we target low cost of supply.

We recognised more than three years ago that the period of oversupply would not last and set about lining up projects to progress when the market rebalanced. That means we are heading into a construction phase at just the right time, before costs escalate.

We are already talking to customers – and are able to offer shorter contracts than on previous projects. Our proximity to Asia means low transport costs, quick delivery and flexibility in shipping size. We don't need to deploy the largest vessels.

To sum up, LNG is the enabler of a bigger role for gas - and the world is going to need low-cost projects that will deliver long-term, reliable supply for decades to come.

Large-scale brownfield developments like Woodside's are well-placed to deliver this.

ENDS