FINANCIAL REVIEW

Exclusive

Browse LNG becomes flashpoint for Japan's worries on gas

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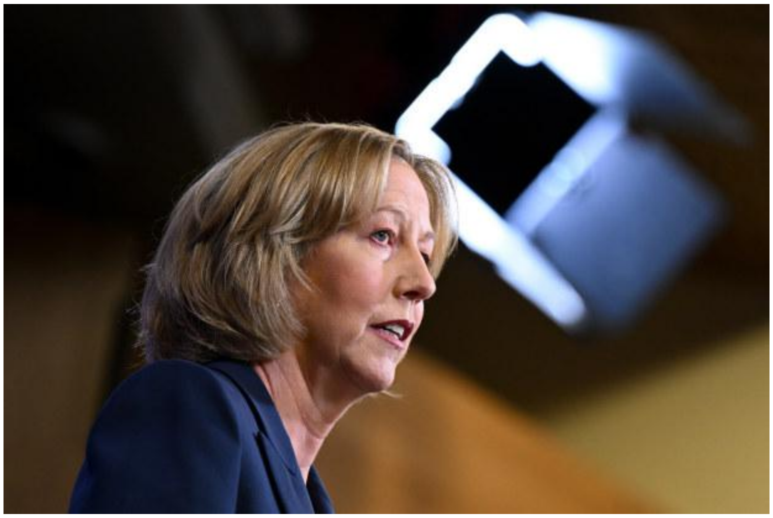
Apr 19, 2023 – 12.30pm

Woodside Energy CEO Meg O'Neill says the proposed $30 billion Browse LNG project in Western Australia has become a burning issue for Japanese customers very keen to see the huge gas resource developed but worried about mounting regulatory hurdles in the way.

"The thing that concerns our customers is the longer-term opportunity, and Browse is perhaps the most prominent example," Ms O'Neill told *The Australian Financial Review* after an address the National Press Club where she underscored the important role gas plays in regional security in the Asian region as well as the multiple challenges to bring any new supply to market.



Woodside Energy CEO Meg O'Neill said Asian LNG buyers have "very genuine concern" over Australia's recent gas policies. **AAP**

She said the worries voiced last month by Takayuki Ueda, CEO of major Japanese investor Inpex, who accused Australia putting the energy and geopolitical security of Asia at risk by its "quietly quitting" its LNG industry, were reflected more broadly across Asian LNG buyers.

The Browse project is led by Woodside, alongside Shell, BP, PetroChina, Mitsubishi and Mitsui, whose head in Australia, Masato Sugahara, has strongly backed the venture even as Japan also looks towards green ammonia and hydrogen to help meet climate goals.

Mr Sugahara has warned of "unintended consequences" from reforms to Australia's LNG export policy, while foreign investors have also been shaken by the Albanese government's intervention into the east coast gas market, and now by likely changes to the Petroleum Resource Rent Tax which would hit LNG producers.

Reforms to the safeguard mechanism policy that require new gas fields developed for LNG to be net-zero emissions have further upped the challenges, although Ms O'Neill said the Browse partners had already expected to use carbon capture to minimise CO_2 emissions.

"With Browse, we have a very significant discovered undeveloped resource – the composition of the LNG that we would produce from Browse is very well suited to Japan, and our Japanese customers have been really clear that they want Browse to be part of their LNG mix in the 2030s and beyond that," Ms O'Neill said.

"But they're concerned that the regulatory processes, the legislative changes, potential changes to the tax framework will make that resource more difficult to commercialise."

$63b carbon bill

New analysis showed Woodside and its partners would face a carbon bill of $63 billion under the safeguard mechanism out to 2050 if they proceed with the Scarborough and Browse projects.

The $16.5 billion Scarborough project is already under construction and will provide gas for an expansion of the Pluto LNG plant near Karratha. There is as yet no target date for a go-ahead on Browse, which would tap high-content CO2 fields off the Kimberley coast.

The Climate Energy Finance think tank called on the Woodside board to urgently re-evaluate the investment case for the two projects based on its analysis, noting mounting investor unrest about the company's growth plans in gas given Paris climate goals.

Some investors have resolved to vote against Woodside's remuneration report and the re-election of directors at its April 28 annual shareholders' meeting, citing concern about the climate strategy.

But Ms O'Neill said in Canberra that Woodside's ambitions to develop more big new gas fields aligned ambitions to limit global warming to less than 2 degrees, noting that in some net zero-by-2050 scenarios global demand for gas grows from today's levels.

The comments were seized on by Greenpeace, which described her address as “dangerously misleading” and based on outdated data on climate mitigation. It claimed Woodside has “no plans” to use carbon capture and storage at Browse.

In her address, Ms O’Neill blamed the Coalition’s refusal to deal with the Labor government on the safeguard mechanism reforms for leaving the way open for policy to be driven by “fringe” elements, to the detriment of tackling climate change.

She said it was a “missed opportunity” that the Coalition was not prepared to negotiate on the legislation, echoing criticism from peers including Santos CEO Kevin Gallagher.

“For Australia to tackle climate change sustainably, it’s got to be done in the centre and in a way that can endure, regardless of who is in power,” Ms O’Neill said.

“Otherwise, you ping pong from government to government, playing to the fringes, with outcomes that do not serve the Australian people well. Just look at the past 10 to 15 years of climate policy in Australia.”

‘Extremism not the answer’

Ms O’Neill, who is chairwoman of the gas industry lobby group APPEA, said the gas industry shares the commitment to decarbonisation but “extremism is not the answer”.

“A vocal minority wants to shut down the industry and the jobs and livelihoods that go with it,” she said.

“They have deep pockets and are using both protest action and the courts to create uncertainty and destabilise regulatory processes to frustrate existing and new projects.”

She also cautioned against “overreaching” on changes to taxation of the oil and gas industry, urging government to consider the long term and preserve the ability to attract investment, jobs and energy supply when considering any changes.

Woodside paid $2.7 billion in Australian taxes and royalties last year, while LNG producers are forecast to deliver $13.8 billion in receipts to state and federal governments this financial year.

However, she admitted there was no certainty that the Scarborough project would ever pay PRRT – reflecting one of the key concerns of critics of the system that say some large LNG ventures will never become liable for the tax.

“Whether or not it pays PRRT will be a matter for the price environment at the time, and it’s premature to forecast that,” she said.

“But the impact in terms of GDP growth, export revenue, jobs is indisputable: This will have a huge and very positive impact on both Western Australia and Australia as a whole.”