Event Transcript

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This document should be read in conjunction with Woodside's Full-Year Report 2018 and the Full-Year 2018 Results and Briefing Pack which are available on the company's website, www.woodside.com.au.

Start of Transcript

Peter Coleman: Good morning everybody. Look, thanks for joining us. As you would have seen this morning we released our 2018 Annual Report and full-year results briefing pack to the ASX. With me on today's call is our Chief Financial Officer Sherry Duhe.

As we've done in previous years we'll make some introductory remarks before opening the call up to a question and answer session on the full-year results. So we'll move through this part fairly quickly. We'll give you as much time as we can for Q&A.

If you will please note the standard disclaimers on Slide 2, and just a quick reminder that this presentation does include some forward-looking statements. For Woodside our reported numbers are all in US dollars.

We've had a very productive year since I spoke to you last Valentine's Day. So let's run through some of our key financial and business achievements.

Starting on Slide 3 you can see our net profit after tax is up by 28% on 2017 to $1.36 billion. A very pleasing result that allowed us to deliver a fully franked dividend for the year of US$1.44 per share. We increased free cash flow by 83% from 2017 to more than $1.5 billion. We generated $3.3 billion of operating cash flow, up 32% on 2017, and ended the period with liquidity of $3.9 billion.

Our gearing reduced to 12% in a sign of our strong balance sheet. We are well positioned to deliver our growth plans. Indeed I will explain shortly how we're making very good progress on this.

But first let's take a look on Slide 4 at our base business which performed exceptionally well across all facilities. We produced 91.4 million barrels of oil equivalent, up 8% on 2017. The North West Shelf project reached a milestone with the delivery of the 5000th cargo. We maintained a low LNG unit production cost of $3.60 per barrel of oil equivalent at both Pluto LNG and the North West Shelf project.

This all contributed to a 32% increase in our operating revenue to $5.2 billion.

On to Slide 5. We are delivering committed growth to underpin targeted production of approximately 100 million barrels of oil equivalent in 2020. Production at Wheatstone LNG exceeded expectations in 2018 with strong reliability at Train 1, and quicker than expected ramp up at Train 2.

We also had a great result at Greater Western Flank Phase 2 which we delivered six months ahead of schedule and $630 million under total budget. Greater Enfield is expected to come online later this year.

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Slide 6 highlights significant progress on our growth projects. After announcing last February we had increased our equity interest in Scarborough to 75%, we assumed operatorship. We are on track to deliver our preferred development concept processing Scarborough gas through a brownfield expansion of Pluto LNG.

For the downstream we entered FEED for Pluto Train 2. For the upstream at Scarborough we awarded contracts for front-end engineering design activities shortly after year end.

At the same time we have advanced our proposal to process the Browse resources through the North West Shelf project's Karratha Gas Plant, signing a preliminary tolling agreement between the two joint ventures.

In Senegal substantial progress was made in 2018 as we transitioned to operator and commenced FEED activities for the SNE field development. We also secured environmental approvals and submitted the SNE development and exploitation plan.

If we move to Slide 7, our ongoing commitment to improving safety across our business helped us to achieve our second-best result on record for total recordable injury rate. This was achieved despite increased risk and exposure due to work hours on site rising by 37% from 2017. We continue to implement our Perfect HSE day campaign, which aims to make every day injury-free and incident-free for all of our people.

On to Slide 8, you can see that we are seeing a return to the market for long-term contracts as buyers anticipate tightening supply. The continued strong growth in LNG demand from China and South-East Asia is contributing to this market shift. More than half the LNG contracted on a long-term basis in 2018 was contracted from projects that are yet to be sanctioned.

So of course if those projects do not progress those buyers are going to be back in the market looking to lock in alternative long-term supply.

Now let me talk in more detail about how far we've come in the last year with our priority developments. On Slide 9, our vision for the Burrup Hub is taking shape as we develop an integrated regional LNG production centre using our proven facilities. This will supply domestic and export markets for decades to come and allow for the future development of other gas resources, including the Jupiter and Thebe fields.

On Slide 10 you can see the achievements since this time last year for both the upstream and downstream components at Scarborough and Pluto LNG Train 2, and the path for the year ahead with FEED activities and gas processing agreements to be finalised.

For Browse, on Slide 11, it's been a significant year with the joint venture agreeing the development concept and the signing of non-binding preliminary tolling agreements. We now are converting this to a binding gas processing agreement and looking forward to commencing FEED activities later this year.

Internationally we have the SNE development in Senegal on Slide 12. This year we will focus on progressing FEED and project financing ahead of a final investment decision.

We are delivering on our ambitious timelines for our growth plans while maintaining our standard and base business performance.

So with that brief introduction I will now hand over to Sherry Duhe to discuss our financial results in detail.

Sherry Duhe: Thank you Peter and good morning everyone. I will start on Slide 14 which refers again to our key financial metrics for 2018. As Peter mentioned, net profit after tax was up 28% to $1.36 billion, with free cash flow of $1.52 billion.

This financial result is indicative of our strong financial position as we execute our growth plans and our ongoing commitment to prudent financial management. Our strong cash flow position has allowed Woodside to pay out a fully franked full-year dividend of US$1.44 per share.

The waterfall on Slide 15 provides a breakdown of the key drivers which contributed to our 2018 profit. We achieved higher sales revenues due to higher realised prices, complemented by our excellent production performance. 2018 also saw production from both LNG trains at Wheatstone for the first time, which naturally resulted in higher costs and depreciation from Wheatstone.

Due to the planned phasing of exploration activities, our exploration expense was 49% lower in the second half of 2018 compared to the first half of the year.

Slide 16 demonstrates the outstanding performance of our base business from a cost perspective. Our overall unit production costs reduced to $5.10 per barrel of oil equivalent, despite the Wheatstone start-up on Train 2 and the planned Ngujima-Yin FPSO suspension of operations.

Excluding Wheatstone, our unit production cost across all products was $4.90 per barrel of oil equivalent, and we're targeting an improvement in Wheatstone production costs now that reliable production has been achieved from both trains.

Turning over to Slide 17, the gross margin for our business has increased by 21% to $28.80 per barrel of oil equivalent. This increase was driven by the higher realised pricing, with our gross margin for Pluto LNG being 56% and 55% for the North West Shelf project.

On Slide 18, Woodside's portfolio continues to demonstrate competitively low cash costs. Pluto and North West Shelf, for example, had cash margins of 88% and 74% respectively. The lower cash margin for our Australia Oil segment was impacted by the Greater Enfield project and the cessation of production from Enfield in late 2018.

As illustrated on Slide 19, we have been preparing our debt portfolio for growth with our gearing reduced to 12% by year end. As we referenced in our mid-year call, our target range for gearing will increase from 10% to 30% to 15% to 35% due to the commencement of the AASB 16 leasing standard on 1 January 2019. This change will not adversely affect our investment-grade credit rating as ratings agencies already consider these leases when determining their ratings.

We have a competitive portfolio cost of debt of 3.9%. We will continue to actively manage our debt portfolio in 2019 and beyond as we approach and take FID on our major growth projects.

Slide 20 shows Woodside's practice of providing strong dividends to our shareholders and sharing the benefits of higher oil prices. A 2018 final dividend of US$0.91 per share has been declared. The final dividend reflects 2018 underlying net profit after tax or $1.416 billion and was adjusted to reflect our strong operating cash flow for the year, due to higher realised prices, reliable production and low operating costs.

Woodside continues to target a payout ratio of 80% of underlying net profits after tax, subject to market conditions and investment requirements.

The value of the final dividend payment is $852 million, and the dividend will be fully franked for Australian taxation purposes.

Finally for me, on Slide 21, we reiterate our guidance for investment expenditure of $1.6 billion to $1.7 billion for 2019, and production guidance for 2019 of 88 to 94 million barrels of oil equivalent. This takes into account targeted additional production from the Greater Enfield project in the middle of 2019, and of course a full year of production from the two LNG trains at Wheatstone. We have provided a further breakdown on our 2019 growth expenditure in the pie chart. All other information in this slide remains consistent with our guidance provided as part of the Q4 2018 announcement.

I'll now pass you back to Peter, to summarise our key priorities for the exciting year we have ahead of us in 2019.

Peter Coleman: Thanks Sherry. Before I take you through our 2019 priorities, I want to just talk you through our position in the market.

On Slide 23 you can see our strategy aligns well with market conditions as Asian demand growth continues and long-term buyers are returning. Major economies across Asia will turn to LNG as their own domestic gas production runs out. We're also seeing rising LNG supply into Europe as local production declines, and carbon pricing firms.

Globally, we see a supply gap emerging with an extra 230 million tonnes per annum required by 2030. Our growth plans are well timed to meet this emerging demand.

We are proud to be the pioneer for the LNG industry in Australia, and have an LNG-focused business model, as you can see on Slide 24. We have strategically changed our portfolio mix and our LNG production has increased some 235% since 2009. We're now producing from eight LNG trains.

We've been exporting LNG for 30 years and our growth plan has set us up to continue supplying local and global markets for many decades to come.

Now, let's look at our priorities for 2019. On Slide 25 you can see it's another big year ahead for us. In Senegal we'll commence execution phase works and look to make a final investment decision.

For Scarborough and Pluto Train 2, we will be working through FEED activities to prepare for targeted final investment decisions early next year. For Browse, we will execute binding gas processing agreements and aim to commence FEED ahead of our targeted final investment decision in late 2020.

I've already mentioned Greater Western Flank 2 commencing production in 2018. We are on track for Greater Enfield to come online mid-2019. It's also great to see Wheatstone performing so well, and domestic gas production starts this year.

As you can see, we're delivering on our growth plans in a way that will unlock value for our shareholders. Of course, all these priority activities are supported by our standing base business performance which gives us safe, reliable and continued low-cost production.

We are pursuing growth plans that are well timed to take advantage of global market conditions, and will set Woodside up for a very bright future. Our Burrup Hub vision will double Woodside's equity LNG production by 2027, right at a time when the world will need more LNG. We made great progress in 2018, and intend to maintain that momentum in the year ahead.

Thanks for listening, and now I'll open up the floor to any questions that you have.

Operator: Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star-one on your telephone and wait for your name to be announced. If you wish to cancel a request, please press the pound or hash key.

Your first question comes from the line of Angela MacDonald-Smith from *The Australian Financial Review*. Please ask your question.

Angela MacDonald-Smith: (The Australian Financial Review, Journalist) Hi, yes, [unclear]. Peter, I'm just wondering where you are with Scarborough in terms of equity stakes. You said before that you might look to sell down a stake this year, and there's been some speculation that you might be speaking to Saudi Aramco this week. So, just wanted you to address that, please.

Peter Coleman: Well, good morning Angela. Yes, we're making good progress on Scarborough equity. We've had a number of parties come and visit us to have a look at a data room that we're putting together. We don't expect that we'll finalise a sale until later in the year, and some of the reason for that is we still need to finalise some of the inter-plant toll arrangements that we'll have. That's the prices that we'll charge ourselves to utilise the Pluto Train 1 facilities, and also the common-use facilities that we have there.

I would say to you that the potential buyers that we have are very - quite - significant companies in their own rights, and that they do span the globe with respect to their home locations.

Angela MacDonald-Smith: (The Australian Financial Review, Journalist) Okay, thanks. Could I also ask one about the dividend? It just seems to have surprised some analysts, just about the scale of that. It seems to be a bit higher than they were expecting. I just wanted you to put that in context, especially given obviously you had that equity raising about this time last year.

Peter Coleman: Yes, we did. We looked long and hard at the dividend, and we looked at our results and thought that it was appropriate, given how well the Company has performed this past year. You might recall last year when we raised equity, it was based on an assumption that the oil price would be $65 per barrel throughout our investment period. Of course, it averaged $71 per barrel in 2018, and we've ended up the year in an excellent liquidity position, with approximately $1.7 billion in cash on hand in the bank. So, we thought it was prudent at this point to reward our shareholders for supporting us last year in the equity raising, given that pricing and production has been stronger than we expected when we raised that equity.

Angela MacDonald-Smith: (The Australian Financial Review, Journalist) Okay, so…–your…projects are proceeding as planned, then? There's no slowing down of any CapEx spending plans or anything like that?

Peter Coleman: No. In fact, I would say, Angela, there's been a potential acceleration of some of the CapEx spending. That's still a couple of years away for us. So, if we looked at 2019 and what we have in front of us, we feel very comfortable with our liquidity position and the amount of free cash that we're generating. So, as I said, we've always made a commitment that we'll get money back to our shareholders. Of course, we've a fully franked dividend going out there, so a dividend in the hands of shareholders today is a dividend that has a significant value to them.

Angela MacDonald-Smith: (The Australian Financial Review, Journalist) Thanks Peter.

Operator: Your next question comes from the line of Sonali Paul from Reuters. Please ask your question.

Sonali Paul: (Reuters, Journalist) Hi Peter and Sherry. Angela asked my Aramco question, and my dividend question. I just wanted to ask you, there's a bit of scepticism out there that you can actually get to FID on all your projects, given the LNG Canada project out there, and Golden Pass and Mozambique, just a lot of competition. Can you tell us how you see yourselves fitting in with all those?

Peter Coleman: Look, it's a really good question, Sonali. We talk about it a lot here as well, as to why it's an imperative for us to move our projects forward as rapidly as we can. We knew all of those projects were in the queue, and our view is there's still a lot of room left based on what I showed you on one of the charts, where between now and 2030 we still need to find another 230 million tonnes per annum of new production coming into the system as demand continues to grow, but then existing production also declines.

There's a lot of space out there at the moment for new supply coming into the market. The issue is actually not demand. Today, the issue is pricing, to be quite frank with you. That's a two-edged sword for us, because we're seeing on the cost side of the business as we're going out to contractors and suppliers, their costs are coming in a little bit lower than what we've put into our own control estimates, so that's a good thing for us at this point in those projects. It seems we've hit the sweet spot still in the cost cycle.

Of course, as you know costs look for a signal from price, and that's the two-edged sword. You would like prices to be high and costs to be low, but the two - the juxtaposition of the two - never actually works for you. We're at a point where we're trying to lock in costs, and with a view that prices will firm into the future.

The demand for us is very strong, I can assure you today. I can sell volumes into the market quite readily. My hesitation in doing that at this point is just simply locking in today's prices. My focus at the moment is to lock in today's costs on the cost side of the business, and then work the pricing as we start to see that move.

Sonali Paul: (Reuters, Journalist) Okay. Can I ask one other question?

Peter Coleman: Yes.

Sonali Paul: (Reuters, Journalist) How do you see LNG imports shaping up on in South Eastern Australia, and do you see yourselves really getting into that, or not?

Peter Coleman: Look, it's a difficult one for me to predict how the market is going there. We're not in that market so we don't maybe watch it as closely as others. We are participating in tenders, or expressions of interest, to supply into that market. We've indicated previously that I don't think Woodside is a player in that market with respect to being a retailer, or building a terminal. The reason for that is quite simply we think whoever builds a terminal will need to have a significant amount of demand locked up, and that is better placed for players who are existing in that market, or are able to create that demand themselves through the building of power generation, which is just not a business that Woodside is looking at on the East Coast at the moment.

We are very much in active discussion though, I would say, with parties who are trying to get those terminals up, with respect to supply. We do have a commitment to trying to supply those projects if they move forward.

Sonali Paul: (Reuters, Journalist) Would you be - there's one or two projects that are looking at tolling as opposed to trying to line up actual offtake. Would you - could you see an LNG trading opportunity there, just taking advantage of your portfolio?

Peter Coleman: Well, the trading opportunity would simply be on the supply side, and the challenge we have of course is that it's about the same distance from Singapore down, to come around the East Coast, as it is to come from Karratha and come around the bottom. So, it really depends on where that is.

Yes, we could play into that. For us that would simply be on a contract basis, if we contract to supply X amount of cargoes per year, then we would take those cargoes out of our portfolio and we would decide where they come from. Whether that's best picking up cargoes in Asia that do not have a home, or whether it's bringing it out of our Australia or US supplies. We would decide that on the day. Any supply going in there will be just based on specifications that are required to get into that market, with respect to heating value and so forth. Then also where the lowest cost would be for us to get that out of our portfolio.

Sonali Paul: (Reuters, Journalist) Okay, thanks a lot.

Peter Coleman: Thanks.

Operator: Your next question comes from the line of Kevin Morrison from Argus Media. Please ask your question.

Kevin Morrison: (Argus Media, Journalist) Yes, so good morning Peter. Just a couple of questions. Just on your global forecast for 230 million tonnes by 2030, just how has that changed over the last 12 months and also I'm assuming most of that is coming from the Asia Pacific?

Peter Coleman: Look, it’s changed quite a bit over the last 12 months. I apologise I can’t tell you the exact answer on the difference between this year and last year, we can get back to you on that. This is WoodMac data and this corresponds with our view of the world as well. It’s a view that I've been articulating now for the better part of three or four years. That others have formed a more doomsday view, my view was always far more positive than that based on our assessment, both of the market and then also the on-ground scouting that we conduct, particularly in China.

The view here is something that really hasn't changed for us, it’s just got stronger, and this view doesn’t include the potential implications of the IMO 2020 rules around shipping. In my view there’s even more potential upside with respect to this market demand.

Now it is being driven by China in the great part, but there are many other countries also starting to follow China’s lead and continue down that path. The good thing about China is we’ve now seen two years of year-on-year growth. This past year China was up again on LNG imports by almost 40%, so it’s just continuing to grow. Pricing was a little flatter this year than last year, and again we predicted that: we said the Chinese would get their house in order with respect to demand and stockpiling for winter, and that’s really what’s happened.

We see this as more normal conditions in moving forward in the marketplace. But the pricing we’ve seen over the winter is pricing that we can make an adequate return on our investment. We’re pleased with these positive signals that we’re seeing and we’re also pleased with how we’ve made the decision to move forward on our growth projects and move them out quite rapidly, because we see this market continuing to grow.

Kevin Morrison: (Argus Media, Journalist) Okay, just a couple of other quick questions. Another is on bunkering, because you made some noise on that a year or two back that we haven't heard too much since. The final question is just on Slide 30 in your presentation, just when you're looking at the revenue, the average revenue from Pluto and North West Shelf, sorry Slide 28. There’s quite a difference, I mean how do you explain that for North West Shelf your average realised price is $48 per barrel equivalent and for Pluto it’s $57, but also for Wheatstone just for a comparative, $59. So you’ve got Pluto and Wheatstone not much in it, but there’s a substantial discount for North West Shelf, how is that explained?

Peter Coleman: Okay, so firstly let me talk about bunkering. We continue to look very closely at bunkering opportunities off Western Australia, so we’re not looking at bunkering elsewhere in the world, whether that be Singapore, Shanghai or anywhere else. But we are looking at bunkering off WA. In fact we’ve gone out for expressions of interest for bunkering vessels, to ensure that we know what the business model would be, and that would be supplying bunkering, LNG bunkering at Dampier Port and also in Port Hedland. Whilst there's a market there, we've got to form a view as to what our strategy is with respect to developing the business there.

You may recall two, two and a half years ago, we decided to lead the market with respect to building an LNG trucking facility at Pluto. That had been considered for many years, and of course conventional thinking couldn't get us across the line. We looked at it in a completely different way. We chose to make the investment without a secured customer, and the only customer was ourselves, based on our shipping requirements for our supply vessels. Here we are today,you would have seen the announcement with Sheffield Resources: we're very close to securing a quite significant long- term customer for that trucking facility.

We're looking at similar things for shipped bunkering, but the amount of money that we're exposed to is significantly more, obviously, than a trucking facility. We just kind of want to make sure before we go down that same path. We'd rather get one of the large miners up and running on this before we make those sorts of decisions, but I think you can expect over the next 12 to 18 months we'll hear a bit more about that.

With respect to North West Shelf, no that's just simple math. Unfortunately we have a very large contract in the North West Shelf called Guangdong that's a 25-year contract. We're over halfway through it, a 30-year contract, over halfway through it [*Clarification: 25-year contract*]. Guangdong has a cap on its price, and so that's what keeps it there. That's just an average of all the volume coming out of North West Shelf. The Guangdong [contract] is a significant part of that, it takes almost one full train of capacity at North West Shelf. It takes one of the five trains basically and so it's a significant element in that price that you see.

Kevin Morrison: (Argus Media, Journalist) Right, so that also means any, well that contract period, by the time the Browse gas comes through to the North West Shelf, would that…

Peter Coleman: No, no, no, Guangdong is the gift that keeps on taking. It's going to - don't you write that Angela - it's going to be there for years and years, so like I said we're about halfway through on Guangdong. It was a significant contract at the time, [but] obviously the market's moved quite considerably since that contract was first signed, and so it's one that we must honour and continue to deliver on.

Kevin Morrison: (Argus Media, Journalist) Okay, thanks Peter.

Operator: Your next question comes from the line of James Thornhill from Bloomberg, please ask your question.

James Thornhill: (Bloomberg, Journalist) Hi there Peter and Sherry, I was just wondering if you could give any guidance on what sort of financial impact you're expecting from the proposed changes to the Petroleum Resource Rent Tax?

Sherry Duhe: I guess what I can do James is just repeat what we said previously on that one, that we do run a number of scenarios, and have been for some time since those proposed changes were first announced, around how that might impact our growth projects going forward, specifically Scarborough and Browse. It doesn't change our investment thesis, so we're just really focused right now on urging the government to go ahead and get that passed through the legislation, so that we can have certainty on those investments as we come to FID.

James Thornhill: (Bloomberg, Journalist) Okay thanks.

Operator: Your next question comes from the line of Perry Williams from The Australian, please ask your question.

Perry Williams: (The Australian, Journalist): Oh hi there, yeah I just wanted to clarify on Scarborough, do you have a set number in mind in terms of the sell down or is that open for negotiation and as part of the data room process?

Peter Coleman: Perry, we currently hold 75% in the offshore part of Scarborough and 100% in Pluto Train 2. With respect to the offshore, what we're looking for is to sell down to anywhere between 40% to 60%. Now BHP obviously has an option over an extra 10%, we're kind of working through with BHP on what they're going to do about that, or what they think they will do about that. But you can expect we'll end up somewhere between 40% to 60%, so pick a number, 50% is not a bad landing point for us. We'd like to have the same sort of number as we go in to the LNG plant as well. That's kind of the equity that's up for sale.

If you look at it we're at 75%, we can come down to 40%, I wouldn't want to drop below 40% and be operator, so that's really my lowest point that I would go to. Maybe the nice landing point's around 50%, and then on train 2, we're currently at 100%, we'd like to get that down to around 50% as well.

Perry Williams: (The Australian, Journalist) Yeah great, can I just check, just in terms of the tolling agreement on North West Shelf, can you just remind me where that's at, obviously you had the preliminary deal, I think that was last year. What's the timing around a final shape of that?

Sherry Duhe: Perry I can take that one. Indeed as you say, we reached, really around mid-year we reached agreement on the principles within the North West Shelf, and then in November we signed the preliminary agreement between Browse and the North West Shelf, but also between Clio, the Chevron resource, and the North West Shelf. The teams have been working ever since, so they're really getting close to having alignment in country on all of the key principles and the fully termed gas processing agreement. We're still tracking to finalise that and get that signed up between Browse and the North West Shelf in the first half of the year.

Peter Coleman: Perry, what I would add, is all of the substantive elements have already been agreed. So all of the elements that pertain to pricing have already been agreed, and we're now down to three or four elements that talk about risk and so forth, and capacity rights. It's more the doing part of it now rather than the actual financial part of it.

Perry Williams: (The Australian, Journalist) Okay thanks

Operator: Your next question comes from the line of Russell Searancke from Upstream, please ask your question.

Russell Searancke: (Upstream, Journalist) Morning Peter and Sherry, just quickly with regards to the Scarborough FEED Peter, why is Woodside funding 100%? Is BHP going to eventually contribute?

Peter Coleman: Well our expectation is BHP will contribute to it. We always felt that we were a little further advanced than BHP are in their own approvals processes, and so we've completely changed the way that we've engaged the market. I think it's a good question for Upstream if you look at the way that Woodside's gone and engaged with the contractors. I mentioned about this time last year, that I wouldn't call it a beauty parade, but I think we can really work with the dream team at this point in the market, and that's what we've done. We've gone out and targeted the people that if we said in an ideal world who would we want as partners in the project, with respect to the execution phase.

That's worked exceptionally well for us, and what it means is we've been able to get to decision points ahead of our joint venture partner, and that's just simply what it is. We decided to go forward and fund it simply to maintain momentum, and we really wanted to maintain momentum in two ways, one of course is on the contracting side, which you will know very well. But equally, we wanted to make sure that the market understood and particularly buyers understood that we believe this project is real. That then helps us in that engagement with buyers. We just didn't want a dead spot so to speak occurring in the momentum where we had to put our team into doing value engineering work or something that's not particularly helpful in moving it forward. So it's just simply about maintaining momentum.

Russell Searancke: (Upstream, Journalist) Okay, just a change of tack, the election is coming up, you folks have some significant investments coming up. Do you have any major concerns, policy concerns, on your investment settings in lead up to the election? Australian Labor's not going to shut down exploration like New Zealand Labour?

Peter Coleman: Look, no I don't believe they are, and there's certainly nothing that they've indicated in policy that they will, in fact I think like a lot of governments they'll look at where exploration is at the moment, and ask the question of how can we improve exploration.

With respect to the issues on the table, the main one is PRRT. That for the most part has been resolved, which is why as Sherry mentioned, it has minimal financial impact on us at this point on our new projects. Our encouragement to Government is give us the surety that we need. Don't leave this open, it's been open now for two years. Move this through the parliament as quickly as possible and if we could get a bipartisan approach on that, that'd be tremendous.

The other thing for us is obviously around carbon. There's a carbon debate underway in Australia at the moment. Our position on that is well known. We're just making provisions in our own financial estimates as to what the potential for a change in carbon policy may or may not look like.

But we take a very long-term view on these things. Our view is at some point Australia will form a bipartisan view on a price on carbon. We just want to make sure we're prepared and our projects are resilient to that.

Russell Searancke: (Upstream, Journalist): Okay. Then just one more from me Peter on exploration. Specifically about Australian exploration. You, Woodside appears to be looking overseas more than in Australia, so do you still see potential in Australia?

Peter Coleman: Well, we've been looking overseas, in fact we obviously went into West Africa and Myanmar, with kind of mixed success. I would say the West Africa program discovered a lot of oil last year, unfortunately not in commercial quantities.

So from a technical point of view it was an extremely successful program. In fact I think eight of the nine wells that we drilled we discovered hydrocarbons, but not in sufficient quantities for us to be able to exploit it. So that was the disappointing part of the program in 2018.

The positive part is we continued to make discoveries in Myanmar. We believe we have reached a commercial threshold in the southern block, Block A-6, in Myanmar. We're just working with government and our partners now on the final development concept for that.

With respect to Australia, we continue to look. I think we've got to think differently in Australia about exploration. The conventional thinking has been pretty much drilled out. We need to think in a different way to unlock further potential in the basin. We will drill a well at North West Shelf this year called Achernar that looks very prospective for us.

So we haven't lost focus on Australia. I would just say it's going to require a different thought process and a different way of thinking about the basins to unlock this next round of value.

Russell Searancke: (Upstream, Journalist): Okay, fabulous, thanks Peter.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

End of Transcript