

The Barrel

Australia's Woodside: a tale of two CEOs

By Christine Forster on July 9, 2012 5:39 AM |

Former Woodside Petroleum chief executive Don Voelte made a surprise return to the Australian corporate scene in late June when he was appointed chief executive and managing director of Perth-based Seven West Media, the largest diversified media business in the country.

Analysts, who professed to being shocked by the announcement, were quick to point out Voelte's lack of experience heading a business which owns Australia's largest commercial television network and its second-biggest magazine publisher. Seven West Media also owns The West Australian, the leading metropolitan newspaper in the state of Western Australia, of which Woodside's home Perth is the capital.

Voelte, however, is no stranger to operating on the front foot. A quick google of "outspoken Voelte" produces a string of results about the man the Australian business press dubbed the "Brash Nebraskan."

As head of Woodside, Australia's largest listed oil and gas company, Voelte was known for speaking his mind, proving a media magnet by enlivening many a press conference or industry forum with his straight talking.

In 2008, Voelte summoned the press corps from the annual Australian Petroleum Production and Exploration Association conference to his office high above Perth's St Georges Terrace to tell them that APPEA's much-publicized "aspirational target" for Australia to triple its LNG production capacity from its then 20 million mt/year by 2017 was impossible to meet.

"It's my considered opinion that that is not an aspiration, it's not even a dream, it's impossible. It is not going to happen," Voelte firmly told the bemused journalists at the meeting.

The CEO also proudly reminded the assembled scribes that Woodside had built six of Australia's seven LNG trains, including Pluto, which was then under construction. At the time, Woodside was pursuing a plan to build an LNG train every two years in order to roll its contractors over from project to project.

Voelte shared his opinion then that one or two more trains would be built at Pluto, that Chevron's Gorgon LNG project "could" go ahead, and that Gladstone on the east coast "might also get one plant."

What a difference four years makes. Since Voelte went on record with that forecast, Pluto train one has been completed -- about 18 months behind schedule -- and 14 LNG production trains at seven projects around Australia, including Gorgon and three in Gladstone, have been given board approval and started construction.

Things have changed dramatically at Woodside too.

Voelte left the company in May 2011, but not before using his last press conference to take a final public swipe at the government of Timor-Leste for failing to back Woodside's proposed floating LNG development at the Sunrise gas field, which straddles its maritime border with Australia. The man described by Woodside Chairman Michael Chaney as having created a "strong 'can do' culture within the company" was replaced by ExxonMobil executive Peter Coleman, who has taken an entirely different approach to the job.

In the year and a bit since he's been in charge, Coleman has quietly gone about making big changes -- from management structure to negotiating style to strategic direction -- with little public fanfare and no "outspoken" comments.

Among the most noticeable shifts has been a reversal of Woodside's Voelte-era move away from the international and eastern Australian markets to focus mainly on its assets in northwestern Australia and the US Gulf of Mexico.

Coleman is looking beyond Woodside's Australian LNG growth options of expansion at Pluto, and development of the delayed Browse and Sunrise projects. The new CEO has also flagged a material increase in Woodside's exploration budget over the next two to three years.

He has talked of broadening Woodside's upstream portfolio, and has already moved to take a toe-hold in an entirely new region, with a bid earlier this year for deepwater gas exploration acreage off Cyprus.

Even the small things have changed, such as the format of Woodside's annual investor briefing in late May,

which was "deliberately" re-focused away from specific assets and projects.

One word Coleman has used repeatedly in public comments since he took the helm is "discipline," and it is a term which apparently fits well with his lower-key demeanour and style. Unveiling Woodside's new strategic direction to the market in February this year, Coleman devoted an entire slide to his "disciplined [approach] in what we do and how we do it."

But the approach to negotiations with Timor-Leste over the stalled Sunrise LNG project provides perhaps the most stark contrast in style between Woodside's current CEO and his predecessor.

About 20% of the Greater Sunrise resource lies in the Timor Sea's Joint Petroleum Development Area between Australia and Timor-Leste, administered by the two countries under the Treaty on Certain Maritime Arrangements in the Timor Sea and an international unitization agreement. Under those agreements, the Sunrise development plan, which requires approval from both governments, must be rubber stamped within six years of the treaty coming into force, or February 2013.

The Woodside-led joint venture decided in 2010 that a floating LNG facility was the best commercial option for the development of Sunrise, in preference to its second choice of piping the gas to Darwin for processing. That conclusion was flatly rejected by Dili, which took a hard line with Voelte that the only development option it would approve would be an onshore LNG plant built on Timor-Leste's southern coast.

Voelte unflinchingly told his final press conference that "by objecting to Sunrise being built, they [the Timor-Leste government] must be objecting to promoting the quality of life and improving the livelihood of their people and I don't get it, I just don't understand it...Let me just say, something's broken."

Under Coleman, however, all options are apparently back on the table. "The first thing was to re-establish the relationship and we had an opportunity with me coming into the chair," he told journalists at the Australian Petroleum Production & Exploration Association's annual conference in Adelaide in May. "I like to turn these things around and say 'what do we agree on rather than what do we disagree on?'"

Previously, the two sides "hadn't even sat down and had a discussion where we put each other's views." According to Coleman, his approach had got "away from the opinion engineering" and was (again that word) "disciplined."

But even with the dramatic change in style and approach, the 2013 deadline is looming fast, and with a so far inconclusive result from Timor-Leste's July 7 parliamentary election, Coleman might need all the discipline he can muster to ensure Sunrise's 5.13 Tcf of gas finally makes it into development.

