THE AUSTRALIAN

Sun sets on Woodside's Sunrise

BY KIM CHRISTIAN AAP FEBRUARY 18, 2015 5:37PM

WOODSIDE Petroleum has shelved plans to develop the Sunrise gas field off East Timor as it slashes jobs and spending following a sharp fall in the oil price.

Woodside Petroleum's North Rankin redevelopment project

Woodside Petroleum expects to cut more than 300 jobs and shelved plans for an East Timor project. Source: AAP

THE energy giant plans to cut operating expenditure by 15 per cent and will shed more than 300 jobs this year, despite chief executive Peter Coleman receiving a $2 million annual pay rise.

Mr Coleman, who was paid $8.5 million in 2014, said Woodside had binned plans to develop Sunrise because of regulatory and fiscal uncertainty.

"We've pretty well exhausted the activities that we can progress," Mr Coleman told reporters.

"We can't evaluate this project and we can't put it up to buyers as being a viable project."

Analysts say Woodside is effectively giving the East Timorese government an ultimatum to either accept floating LNG technology or leave the gas in the ground.

East Timor and Australia have been unable to agree on development plans and tax revenue for Sunrise, which contains around five trillion cubic feet of gas, and Woodside and its partners have rejected the fledgling nation's proposal to build a domestic onshore LNG plant.

The gas field lies in the Joint Petroleum Development Area which is jointly administered by Australia and East Timor.

Mr Coleman said Woodside had been working with the East Timorese and Australian governments on a development concept over the past 18 months but it was unable to continue spending significant amounts of money and time on the stalled project.

In order to take the next step, Woodside needed to know "who it was paying its rent to".

East Timor's new prime minister Rui Maria de Araujo was sworn in on Monday, replacing Xanana Gusmao, who will remain in cabinet as part of a new power-sharing arrangement.

But Mr Coleman does not expect the leadership change to make any difference to the project.

Woodside's 2014 net profit rose 38 per cent to $US2.4 billion and the company raised its final dividend by 40 per cent to $US1.44.

The company cut 320 jobs during 2014 and it plans to shed around the same number of staff this year as it focuses on driving down costs.

As the cutbacks occur, Mr Coleman's annual 2014 pay packet grew by $2 million to $8.5 million in 2014 after he collected almost $3 million in short-term bonuses.

Mr Coleman said Woodside was trying to reduce costs associated with its key Browse joint venture offshore project in Western Australia in light of steep oil price falls.

The Browse joint venture is due to make a final investment decision in 2016.

Fat Prophets Resources analyst David Lennox said Sunrise would be a reasonable growth project for

Woodside but the company was prepared to wait to assess the success of the Browse floating LNG project before pushing ahead with Sunrise.

"They're more concerned about near term growth," he said.

WOODSIDE's PROFIT UP BUT JOBS TO GO

* Net profit up 38 per cent to $US2.4b, from $US1.7b

* Revenue up 25 per cent to $US7.4 billion, from $US5.93b.

* Dividend up 40 per cent to $US1.44, from $US1.03