Company: Woodside Energy Ltd

Title: Response to Market Conditions

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Start of Transcript

Operator: Thank you for standing by and welcome to the Woodside Petroleum market update. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key, followed by the number 1 on your telephone keypad. I would now like to hand the conference over to Mr Peter Coleman, CEO and Managing Director. Please go ahead.

Peter Coleman: Good morning, everybody, and thanks for joining us today. Obviously, there's a lot of uncertainty in the world at the moment, and I know investors want some answers on how this affects Woodside and how we're going to manage it. So as you're aware, our industry is facing both demand and supply shocks as we deal with the fallout of COVID-19, and from the volatility and price arising from the OPEC+1 dispute. Of course, these are extraordinary and challenging times for us and a few months ago, no one really could have foreseen these circumstances. Today I'll talk briefly about what we're doing to minimise the risk of COVID-19 to our people and our business so that we can continue to deliver gas to our Australian and international customers. Then I'll run through the prudent but difficult decisions we've taken to ensure we can ride this out and emerge on the other side in a position of strength. We enter this period of uncertainty in good shape and intend to get through it and be ready to pursue opportunities when they arise.

In a nutshell, we're halving our forecast expenditure for 2020 and deferring final investment decisions for Scarborough, Pluto Train 2 and Browse, while taking other steps to protect our revenue. Our highest priority is the health and safety of our people, staff and contractors, their families, and our communities. We've had teams working since January to prepare our business for COVID-19 and have taken steps to comply with expert health and government guidance. For instance, we needed to reduce the number of people on our offshore platforms, given the close work and living arrangements. We also put in place new arrangements to minimise infection risks to those who are critical to our operations. We understand the gravity of this health crisis and are playing our part to flatten the curve, while keeping the company and our operations running.

So what are we doing in response to the financial challenge presented by a lower and volatile oil price? Well, it helps that we have in the past 2 years, very deliberately built our financial resilience in preparation for a growth period involving higher capital expenditure. At the end of February, we had 4.9 billion dollars US cash on hand, total liquidity of 7.9 billion, and low gearing of 13.8 percent. Our debt profile is well balanced and low cost. Our debt covenants are not at risk under current conditions. Woodside's unit production costs in 2020 across the portfolio is expected to remain very competitive at only $4.50 per barrel of oil equivalent. To help manage commodity volatility and improve revenue certainty, we've taken steps to reduce exposure to further downside, hedging 11.85 million barrels of oil between April and December at an average price of $33.47 per barrel. The hedge structure allows us to benefit from higher oil prices should they eventuate later in the year.

We've also agreed to fix the price of approximately 2.4 million barrels of LNG production over the same period. Now, as I've already mentioned, we're cutting spending, non-essential activities this year have been cancelled or deferred. This delivers an approximately 50 percent reduction in our forecast total expenditure to 2.4 billion dollars, including a reduction of around 100 million dollars in operating expenditure and a 60 per cent reduction in investment expenditure. We've acted quickly and decisively to cut costs, and you can read in the ASX release what this entails. But to summarise, we're deferring some non-essential maintenance activity and most of our exploration program. We're hitting the pause on some of our proposed growth projects, delaying Woodside's final investment decision for Scarborough and Pluto Train 2 to 2021. We're also delaying Woodside's FID target for Browse.

In the meantime, we'll be able to work on progressing commercial agreements and regulatory approvals for those proposed developments. We're maintaining an appropriate level of activity with our engineering contractors to support project progress on Scarborough and Pluto. We still think the Burrup Hub is one of the world's most competitive LNG investment opportunities, and we'll be ready to progress it when these external challenges pass. In Senegal, the impacts of COVID-19 pandemic are becoming apparent on work that is already underway in the Sangomar Field Development phase 1. We're working with contractors, the government of Senegal, and our joint venture partners on options for reducing total cost and near term spend while protecting the overall value of the investment.

Just finally, this is a terrible and confronting time for everyone. We do not yet know what toll this pandemic will take on our country, but I do know that as a nation, we'll get through this. Companies like ours will have a crucial role to play in the recovery. Thank you. I'm here with Chief Financial Officer Sherry Duhe and are happy to take questions.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you're on a speaker phone, please pick up the handset to ask your question. Your first question comes from Saul Kavonic with Credit Suisse. Please go ahead.

Saul Kavonic: (Credit Suisse, Analyst) Hi Peter, hope all is well. A few quick questions from me. First of all, just on the spend reduction, are you able to confirm what is excluded in the 2.4 billion dollar guidance. So, in particular, I'm thinking about the shipping costs, finance costs, and debt repayment. Is that included or excluded in the 2.4 billion?

Sherry Duhe: This is Sherry, thanks for that. That is excluded. So what we've included in that is just simply operating spend, exploration spend, and capital spend. So all of the other elements are not in that.

Saul Kavonic: (Credit Suisse, Analyst) Perfect thanks. On the next item, there seems to be about 600 million in discretionary CapEx, which is still in the guidance for 2020. Could you give a breakdown of what is in that discretionary CapEx and what kind of triggers you might need to see in the oil market before you'd start paring back some of that as well?

Sherry Duhe: Okay, so what you see in that is basically just the outcome of the, well in the first instance, the deferral of Scarborough and Pluto. We've also taken and scaled back on some of our other longer term projects. So you've got Kitimat in there, Myanmar et cetera. Sunrise of course, but that’s a minimal spend. We have also pared back significantly, and Peter has mentioned it as well, on our Karratha Gas Plant extension activities. So, across the board we really scaled back on all of our capital spend for 2020.

Saul Kavonic: (Credit Suisse, Analyst) I understood. Perhaps I wasn't clear. I mean, if I look at the chart, there still seems to be some discretionary Capex in 2020.

Peter Coleman: Yes, so, Saul, discretionary CapEx with - what Sherry talked about is the categories, so they're the areas, like the Karratha life extension, Myanmar and so forth. Discretionary CapEx is categorised as CapEx that's not currently committed to. So, that said, if things get worse, we can dial it back even more. But we think this is a prudent baseline for expenditure at this point.

Saul Kavonic: (Credit Suisse, Analyst) Fantastic, thanks for clarifying that. Also, can I ask about Sangomar? We've obviously seen announcements for example by FAR, is there a risk here for pushing ahead, that Woodside ends up having to essentially dilute other joint venture partners and therefore carry a greater burden of the CapEx? Or is there going to be, do you see more scope to negotiate with your contractors and defer this materially into next year?

Peter Coleman: Well, look, it's early days. We don't see a material deferral into next year. What we'll do is obviously go back to our contractors and look at sequencing where we can. There's going to be some natural delays anyway, Saul, simply from supply chain, particularly in the areas of wellheads and so forth too. Because if you think about where billets for subsea wellheads come from, where some of the valves come from, they come from Northern Italy. So, we're already seeing supply chain stress across the business on some of these critical items.

What we haven't got yet is a full assessment from the contractors as to how that's going to affect schedule. But we have identified an amount of money that we think will be either saved on the project, or pushed out into 2021. But it's too early for us at the moment to quantify. I know some of our partners are doing that, but at this point, as operator, we're not prepared to quantify what that is. With respect to the carry provisions and so forth, the partners have six months under the agreement to remedy any cash calls that they're not able to pay. So, we'll be working with the partners to make sure they're able to meet their commitments.

Saul Kavonic: (Credit Suisse, Analyst) All right. Understood. One last one from me. Given what's happening in the sector, is Woodside potentially considering inorganic growth opportunities over the coming year, given that there's potentially some bargains out there, adjacent, or within your existing assets and elsewhere?

Peter Coleman: Okay, obviously, it's too early to even think about that. You'd have to be in this situation for a number of months before the price - the expectations between price of the seller and the buyer would actually meet. But clearly, we, like everybody else, are looking at those particular opportunities, but I'd say it's too early, Saul, to conclude that we'll go one way or the other.

The only thing I would point out is, by clearing the balance sheet this year, what it does is it opens up many options to us as we go through the year. So, what we wanted to do was make sure that we weren't committed to a particular path. This gives us an option, either inorganic growth, organic growth and also, given the cash we have, gives us other options to return cash to shareholders.

So, we just wanted to free ourselves up so we had optionality as we go through the year, because it's going to be a very uncertain year for us from a price point of view. Both from the point of view of how quickly demand comes back into the market and then what the outcome of OPEC+1 will be and whether OPEC+1 can really hold out until late Q3 of this year to have any real impact on the onshore producers in the US, if that really is their objective.

So, we just look at it and say, let's develop a plan that will go at least six months and potentially out through the end of this year. If it slips into early next year then as well, we've got all of that sorted.

Saul Kavonic: (Credit Suisse, Analyst) Perfect, thanks a lot, Peter. Thanks, Sherry.

Peter Coleman: Thanks, Saul.

Operator: Your next question comes from Daniel Butcher from CLSA. Please go ahead.

Daniel Butcher: (CLSA Limited, Analyst) Yes, hi, Peter. Just wondering whether you could maybe update us on the contractor discussions around Scarborough / Pluto. You mentioned before you've opted some favourable EPC rates and day rates on rigs. Do you anticipate those being extended, or do you think there's an opportunity to cut those further, given that most oil companies around the world are cutting CapEx and these guys will be pretty desperate for work in the next year or so?

Peter Coleman: Yes, we're obviously talking with our contractors overnight, Daniel, so the news for them is just as fresh as it is for us. I suppose, two things. Firstly, certainly we were concerned about cost pressure coming back into the market. That was really driving some of our timing around moving forward with Train 2 at Pluto. I would suggest strongly to you that cost pressure has now evaporated in the market. So, from that point of view, it means we can prepare the projects in the way that we would wish to, without being concerned about the market running away from us. So, I think that's the first thing.

There clearly will be some areas where we'll go back and discuss with the contractors. Those areas are drilling rig day rates and so forth, where we've seen some escalation. Again, we'll just have to wait for the timing of that, because those contractors need to see what other clients are potentially doing before those rates will drop. So, we've just got to find the right point at which we can do that.

But I think the overall message is, no, we're not under any pressure now from growth in the market. We were concerned about that, because of the number of FIDs that were made last year and the potential FIDs coming into the market this year. We believe that's all gone. We believe all the US projects pretty much have moved out to the right in their schedule, as well. So, that pressure's off us.

We just need a little bit of time for that then to work its way into the drilling rig market and the services market and that will probably happen over the next two to three months. So, we will take this opportunity to review all of those contracts and discuss them with the contractors.

Daniel Butcher: (CLSA Limited, Analyst) Right. That's helpful, thanks. Just on that which you alluded to just then, how do you still see the competitive environment for LNG FIDs? I mean, obviously, some are going to be delayed if not all. Do you see many, if any, going ahead in the next year, in terms of FID? I guess, this widens the gap between those with financing fire power and those without. How do you see yourself placed in this cashflow environment, versus the range of other projects out there?

Peter Coleman: Yes, look, I think there's potential for a couple of projects to move forward, just simply because they can, maybe not because they should. I think the Qatar projects are pretty well advanced, with respect to the offshore element of those projects. So, the facilities in the North Field are being built in the offshore. The challenge will be the pace, because, of course, they have a lot of IOCs as partners there. So, I think they'll be dragged along by whatever decisions that the Qataris choose to take.

So, the Qataris may be in the market, they may see this an opportunity to be able to build at a low point in the cost cycle. Obviously, the Russian projects, we're just not sure what incentives Russia will offer for those projects to go ahead. We think others will be challenged. So, projects that really haven't been sanctioned at this point, other than those being driven by national oil companies, I think, will be challenged.

Daniel Butcher: (CLSA Limited, Analyst) Okay, thanks. Maybe just, I mean, you mentioned in Saul's question about wellheads and valves in Northern Italy. Are there any areas in which you're seeing major supply chain issues, or even small ones that upset the whole chain, in terms of small essentials? So, I imagine they're all over the place, possibly?

Peter Coleman: Yes, look, it's too early, because the suppliers don't actually know themselves, to be quite frank, as to whether they'll be able to move some of the goods. Now, as you know, freight is still moving by air. So, that hasn't stopped, it's just the movement of people. The challenge for us is going to be, on the people's front, will be around specialist services. So, we do rely on contractors for some specialist services, particularly in areas like major compressors and so forth. Those skills are not resident here in Australia. We've been talking to Border Force about that. We haven't quite resolved that one yet.

We have resolved emergency response and so have strong assurance from government that if there is an emergency in our operations that would require overseas specialists, that they will work with us to ensure that they can get to our facilities in a timely manner. So, we're happy to continue current operations. That affects our drilling program, as you can imagine as we're starting to drill into the pay zone on some of those wells. We want to make sure we have adequate oil spill response. We do have that. We've been able to give NOPSEMA the assurance of that, after working with Border Force on it.

On some of these other things, we're not quite sure. Now, what we are doing is we're keeping a warm workforce available to us of key contractors. So, whilst we've had layoffs of contractors this week, who were doing discretionary work and that's really designed to put a cocoon around our COVID-19 plans, we also will keep a core group of contractors warm on the bench, so to speak. They'll be mostly Karratha residents, so that we can call them out when we need them and make sure that they're available and don't need to travel and so forth.

So, there's a number of things. But at the moment, way too early. None of the contractors are talking to us about what's going on, because they simply don't know. Now, having said that, we're seeing China start up, so we've already been in the market with spot cargo into China. You would have seen the pollution readings are going up, which is an indication that manufacturing and business is starting to start up again. So, China's started. I think you'll see demand come back in China fairly rapidly. The biggest question for us now is what's happening in Europe and the US.

Daniel Butcher: (CLSA Limited, Analyst) Okay, thanks. Sorry, I'll just be cheeky and have one more on the same sort of theme. In terms of Senegal, if you delay there and slow things down, which it sounds you wanted to at the very least, who wears the cost of doing that? Does the contractor wear the entire cost, or do you split with them, or what sort of variables are we thinking about there in terms of how that might be split? So, idle workforce and so forth?

Peter Coleman: No, we're not going to slow anything down that's detrimental to the economics of the project. So, no. I mean, our partners have an obligation to pay cash calls when they're due. We have an approved development plan in place. What we're talking about is simply, (1) a pragmatic approach, recognising that some of the supply chain may be impacted and (2) looking for opportunities to pull costs out where contractors took the opportunity beforehand to increase costs. We've seen a couple of - one project in particular, that got in the queue before us with contractors. That project's now been cancelled. We'll be going back to that particular contractor and expecting them to reduce their prices down to what they were showing us in the middle of last year.

So, we've got some target areas already, Daniel, where we know where we saw cost increases in the latter half of last year. We'll be expecting those costs to come down in line with what we expected at the beginning of last year.

Daniel Butcher: (CLSA Limited, Analyst) Right, that's very helpful. Thanks. I'll turn over to somebody else. Thanks.

Peter Coleman: Thanks.

Operator: Your next question comes from Mark Samter with MST. Please go ahead.

Mark Samter: (MST Marquee, Analyst) Morning, guys. Two questions if I can. Just on the first one actually, as I misread it, it's 2.4 million barrels, not 2.4 million tonnes of LNG production that you've fixed a price with the customer. Can you just tell us the genesis of that? Was that entirely driven by you guys? Or was that customer driven? Because I guess the reason you're hedging almost 12 million barrels of oil, I guess, is keeping the balance sheet strong. I guess you're taking a bit of a view on oil, which would make it strange for an LNG customer who gets the benefit on the other side of that equation to be willing to hedge LNG production. We obviously know the price you've done it at but can you give us a bit more clarity where you can around that?

Sherry Duhe: Yes, so Mark, it is indeed, if you look at the updated spend profile that we've just put out this morning, we still will be somewhat cashflow negative for the year and it is a market view that we've taken that there could be more volatility and even more downside on pricing. So we just thought that it would be pragmatic to smooth some of that out.

The way that we've done that is through - on the paper hedges by the combination of swaps and call options. So it allows us to lock in a minimum price but also participate on the upside for a percentage of production. It is in barrels, just to clarify that question around it and the customer that we locked in fixed pricing with is a European customer. So that helps also just in terms of win-win on that side of the transaction for some of our open cargoes that we had not locked in yet for the year.

Peter Coleman: Yes, Mark, read they're a customer but they're a very sophisticated European customer who is taking the volumes and trades themselves. So they just saw that they could trade a physical position and that's what they were looking for. So they were looking for physical cargoes as distinct from the paper swaps.

Sherry Duhe: Yes.

Mark Samter: (MST Marquee, Analyst) Okay, perfect and then second question, I know maybe this is a bit too early to start talking or thinking about this but obviously the Browse FID has been pushed with no definitive timeline. Do we think the options are to - I think you've said before that some of the JV partners across the Shelf and Scarborough had historically thought Scarborough should come into the North West Shelf if Browse timeline becomes a bit more uncertain. Is there the scope to revisit the view of where Scarborough ends up?

Peter Coleman: Look, I think it's way too early to predict where that'll head, Mark. We've obviously got a well-defined plan at present. I would say, as we go through the year and we see where some of our other partners are, then that may be a catalyst for us to open the option up again but at this point in my discussions with them and in the last 24, 48-hours, there's no indication at all that the Browse partners want to waver from the current scope.

They're obviously supportive of a delay in the project. What we haven't done is sat down and talked about how long that delay will be. At the moment, we're just assuming it will be a few months, not years but let's let the year play out. Let's - we might be sitting here in nine months' time having a different conversation on a number of projects and what companies are doing.

So I would just say with a - it's really going to depend on how the year plays out, Mark and the good thing about it is, we're not committed in any substantial way to any of our major projects at the moment so we're in a fortunate position where we've got a full playbook in front of us as we go through the year and that's what today's call is about.

It's really saying we've kind of just cleared the deck, so to speak. We've got all the pieces that we can bring in. We've got a plan. We've got a base plan but that plan is always subject to market conditions and if market conditions stay the way they are today, of course there's going to be substantial change, not just within our plans but within industry.

Mark Samter: (MST Marquee, Analyst) With the BHP, the tolling agreement, it obviously had a drop-dead date which is imminent, do you push the drop-dead date? Or do you have to start those negotiations again as and when?

Peter Coleman: No, no, we'll just – we'll just mutually agree to move that date out. So that's all fine. There're no issues at all in those commercial negotiations, we're just final papering it up. We expect to be finished some time in second quarter on those negotiations.

There's no opening up of the price or anything so we're just finalising all of the ancillary agreements to it and then BHP and ourselves are both committed to getting the project ready for sanction and that sanction, we should be ready some time in third quarter of this year. Then we'll just wait for the market conditions to stabilise and allow us to have confidence that we can move forward.

Mark Samter: (MST Marquee, Analyst) Great, thanks for that guys.

Operator: Your next question comes from James Byrne with Citi. Please go ahead.

James Byrne: (Citi, Analyst) Good morning everyone. Thanks for the disclosure and I just wanted to wish you the best for ongoing safe operations over the next few months.

So, I note that - I just wanted to ask, actually, the Pluto foundation contract which is about to go through price review, in the context of a very low oil price, in the past you've had some protection there from the floor pricing structure. Is it a safe assumption to assume that through the price re-opener that you will lose that price floor in the contracts?

Peter Coleman: Well it's a price review, James. The - so no, we don't lose the price floor although I need to go back and to clarify that. The - I think we've talked about the slope previously but I - yes, the floor, well the floor mechanism is under discussion so what the floor mechanism looks like is definitely under discussion but it has been for some period of time.

So until we agree to it, of course we continue to get paid at the old pricing. So nothing's going to change from a revenue point of view until we've agreed all of that but I just haven't seen it, to be quite frank and I think anything we're doing at the moment is quite uncertain with respect to any contract negotiations.

So I know that's not a great answer for you, but all I'd say is, the status quo will remain until we've resolved this and the pricing and the floor mechanisms, both the cap and collar are part of that negotiation.

James Byrne: (Citi, Analyst) Okay, it - my understanding with that price review was timed for April of this year. It sounds like perhaps that's not the case?

Peter Coleman: No, it was…

James Byrne: (Citi, Analyst) When do you expect to conclude that price review?

Peter Coleman: Well we really haven't engaged for the last couple of months on the price review. I mean, we were close. There were some contracts at North West Shelf that were agreed that we were very comfortable with, that we'd set the expectations for that price review and we - but we haven't seriously engaged - re-engaged on that at the moment.

So we've just got to be - we've just got to wait, to be honest, James, until we think [inaudible] the floor in the contract went in the previous price review. So we don't have that floor in the contract anymore at Pluto. It's a - I wouldn't call it a floor, it's an S-curve. So we had it in the first price period and then we've had an S-curve since then. So I wouldn't call it a floor. It's not a hard floor. *[Clarification: current provisional pricing, prior to the finalisation of the price review, does not include an S-curve mechanism]*

James Byrne: (Citi, Analyst) Got it, okay. On your outlook for LNG, I cast my mind back to you 2018 investor briefing day. You had a chart there on the demand forecast by region. By far and away the largest region there was other Asia. The - all of the small emerging markets ex-China that in - that are small in isolation but large in aggregate.

I'm wondering, do you think that there's any permanent demand destruction as a result of coronavirus? Either from much higher US dollar funding costs to build the new infrastructure or perhaps lower cost of fuel oil in generation that may further complicate your ability to market volume in the medium term? Noting you mentioned on the supply side, Qatar and potentially Novatek placing volume in the short term?

Peter Coleman: Look, that's a difficult one to answer sitting here at the end of March, to be quite frank with you. Obviously, it's a question we've got to look at as we go through the year. With respect to the demand, we've got to be eternal optimists.

We think the fundamentals on the demand is still there. So we're not predicting permanent demand destruction at the moment. In fact, as you know, low prices often trigger even more demand. Now, there's obviously some issues in the market. At the moment, India has closed its ports so that's creating some disruption there but we expect that will come back quickly.

The US dollar, the US will work very, very hard to drive down the US dollar. The Fed will do that. The Fed has already said it's going to do that and it - the US doesn't want a stronger US dollar. It benefits obviously during crises but when things get back to normal, a strong US dollar is not good for the US with respect to its own trade balances.

So I expect through whatever mechanisms, quantitative easing, probably the most likely one because it's the only lever they have at the moment, is that the Fed is going to try really, really hard to get that US dollar down. So I don't see that [inaudible] in the marketplace.

So look, it's going to come back. It will be in fits and starts. We're just not sure where that's going. On fuel oil and so forth, all I would say is, climate change is not going away. It's real and so substitution of other fossil fuels into the energy mix, I think is just unsustainable no matter what the pricing point is. There might be some short term switching but certainly not the long-term structural build out in that area.

I can assure you, as we've been talking to investors recently, the ESG guys haven't forgot about the long term, so they're - the short-term perturbation in the market that we're all dealing with, those responsible from an ESG point of view are still very much focused on the long term and the long-term resilience of the business. [inaudible] was just a bit foggy for me at the moment, to be quite frank.

James Byrne: (Citi, Analyst) Okay, that's a good segue into my last question around ESG and Browse. The further that this project gets pushed out, the higher and higher the stranding risk potential for the fields. Wanted you to perhaps make a remark on that, which actually plays into Mark's earlier question around Scarborough's viability to go into the North West Shelf.

Peter Coleman: Yes, look, I think the key thing for Browse, the further it goes out then the more likely that sequestration will be part of the base plan for Browse and we're looking at options now around sequestration, not just in the immediate field area but other aquifers some distance from Browse. So I think what you'll find is, that's where it will be.

Now, the break-even costs for that at the moment are just north of $100 per tonne but you can see a world where that will be a license to operate requirement for Browse. Now, it doesn't affect the economics in a material way. I hate to say that to a regulator, but I mean it's very important, but I think [inaudible] robust enough for [inaudible]. So I think rather than parking the facility, remember it's got a substantial amount of liquids associated with it, I think you may see a revised development plan and that's more likely to include the sequestration from day one in the project rather than the current plan, which is about after year 10.

James Byrne: (Citi, Analyst) Okay, that's really helpful Peter, thank you very much.

Peter Coleman: Thanks James. I think I've got two more on the line, so if we can just take the rest, that will be great.

Operator: Your next question comes from Joseph Wong with UBS. Please go ahead.

Joseph Wong: (UBS, Analyst) Hey Peter, hey guys, just two quick questions. The first one is in regards to your available debt facility. I understand you said you have a bank covenant, I just wanted to clarify if you have other bank covenants similar to your peers of the interest cover ratio on that?

Sherry Duhe: Sorry, can you repeat that?

Joseph Wong: (UBS, Analyst) I just wanted to understand in your announcement, you talked about - hello?

Sherry Duhe: Yes sorry, I can hear you, go ahead.

Joseph Wong: (UBS, Analyst) Just wanted to clarify your banking debt covenants. In your release you mentioned a gearing covenant, just wanted to clarify if you have an interest cover as well as part of your debt package.

Sherry Duhe: So mainly it's gearing, so we would have to be at a really high level before our covenants would kick in, it would be over 70%, so we're nowhere near that and there is no interest cover in our covenants.

Joseph Wong: (UBS, Analyst) Okay, so there's no interest cover.

Sherry Duhe: That's correct.

Joseph Wong: (UBS, Analyst) Okay. Just wondering, in terms of your hedging profile, is the way to think about it, is it a kind of swap contract or is it you talk about a combination of swaps and call options? I'm just trying to understand how to think about that $33 hedge.

Sherry Duhe: Yes, so we put swaps in to come up with the minimum fixed price on it and then we put call options in for the second half of the year to participate in the upside above a certain dollar level per barrel.

Joseph Wong: (UBS, Analyst) Okay, cool. Maybe just the one last quick one, just on your OpEx savings, can you provide any details of what that entails and how sustainable that savings are? Because you've reduced a lot of your staff, but can you, I guess, progress that for 12 months?

Sherry Duhe: Yes, so on the OpEx, what we've done and continue to look at as we go forward in time, this is just a first pass at that, we've really looked at a lot of our discretionary activities beyond just the likeness to operate and keeping our facilities running. So like we've done with CapEx, we've looked at anything that is not committed and therefore we have flexibility around the pace at which we do that or actually some of these things even just stopping right now, so with some things like continuous improvement activities across the business, functional support to that, et cetera. It really is just across the board. We also are seeing a savings in terms of the Australian-US dollar exchange given that a larger portion of our operating costs are in Aussie dollars.

Peter Coleman: Joseph, I think the key here is as we get used to this, we're going to try and make this the new norm. Now obviously there's an element of deferral, we'll have to see whether that deferral can be permanent, but there is an opportunity for us here now to make some of this, the way we're working and the choices we make, the discretionary decisions that we make with respect to our activities, is to try and make that as much of that the new norm for us in the way that we work. So we have an appropriate level of activity, we have not cut back to the bone at all, so we're very comfortable at operating at this level for an extended period of time.

Joseph Wong: (UBS, Analyst) Thanks for that, Peter.

Operator: Your next question comes from Helen Clark with Aspermont. Please go ahead.

Helen Clark (Aspermont): Hi Peter, Sherry, I was at AOG in Perth two weeks ago and there was still a lot of talk about the LNG jobs task force and turning Perth into an LNG support hub. How do you think all of this is going to impact that, looking at the longer term?

Peter Coleman: I don't think it's going to impact it in the longer term. Obviously there was some short-term activities that we'll need to sit down and discuss with the Premier when he gets some time as well. So I'd say everybody at the moment is into triage and just trying to stabilise their businesses and then what we'll have to do then is sit with the Premier around what the vision is for LNG support in the State. Now we go back and say there is a significant amount of LNG-based activities in the State already, notwithstanding the fact that Woodside had growth plans at Scarborough and Browse. So if you look at the number of trains that are now producing in the State, it's a significant increase over what it was even five years ago. So there is a very, very large base here already that will continue that work around developing Perth as an LNG hub. There will be more focus on the support activities longer term, rather than construction but support is longer term jobs, whereas construction, as you know, is quite transient.

That's all the time we have today, everybody. Thanks for joining in on the call. As you can see, we're working hard to make sure that the business is well preserved and is resilient through whatever the next 12 months throw up at us. As I said, we've cleared the way that we have lots of optionality in our business as we move forward. We'll prepare all of our projects so they are decision ready with that optionality and we'll wait until market conditions improve and we can see a stable outlook for us. So again, thanks very much for your interest and your support in Woodside.

End of Transcript