Santos Ltd
ABN 80 007 550 923
Ground Floor, Santos Centre
60 Flinders Street
Adelaide South Australia 5000

GPO Box 2455
Adelaide South Australia 5001

Direct: + 61 8 8116 5000
Facsimile: + 61 8 8116 6723

TO: Company Announcements Office
ASX Limited

FROM: Company Secretary

DATE: 12 October 2010

SUBJECT: **Presentation to Carbon Expo 2010**

Please find attached a presentation by Santos Vice President Eastern Australia James Baulderstone to the Carbon Expo 2010 Conference in Melbourne today.

David Lim
Company Secretary

Thanks Tony Jones (panel chair), fellow panellists, ladies and gentlemen.

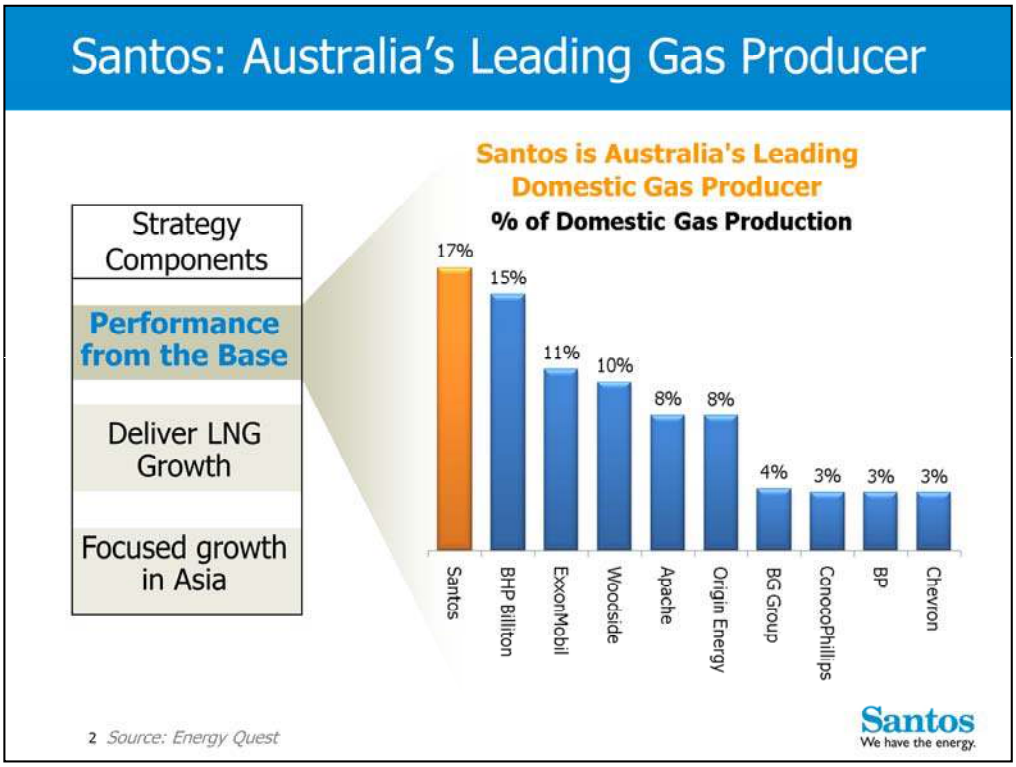
I appreciate the opportunity to participate in today's discussion.

How Australia will meet the multiple challenges of:

- reducing our carbon footprint;
- while protecting our quality of life; and
- and maintaining our economic prosperity

are key questions for us all.

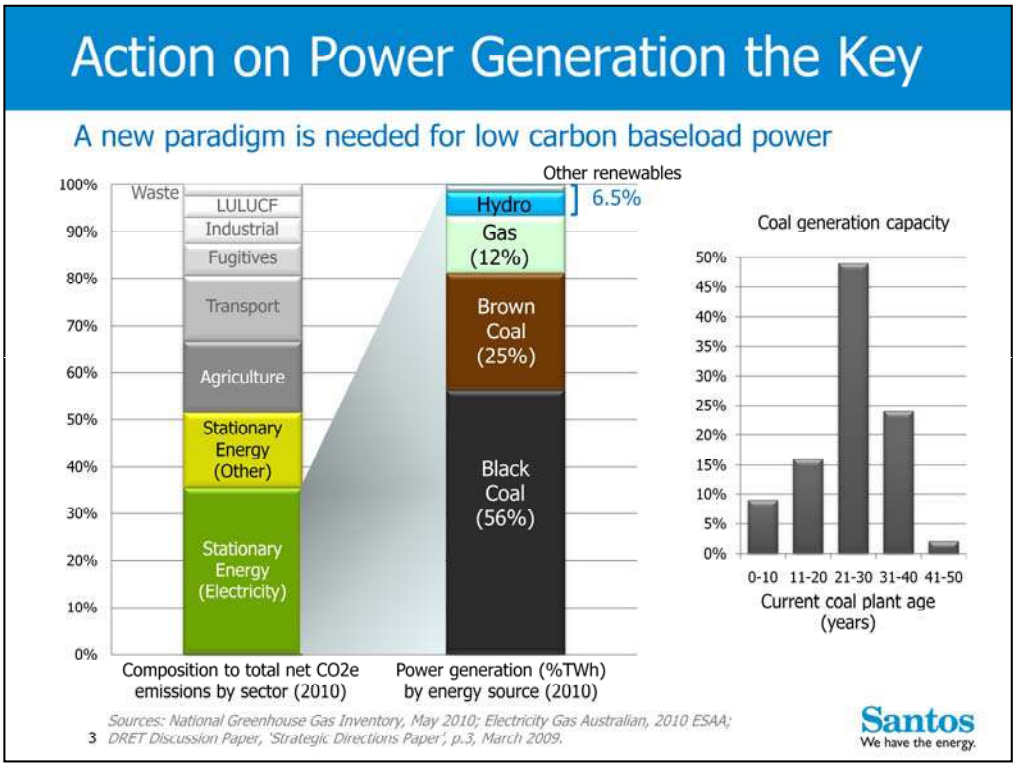
I will highlight today the role Australia's abundant natural gas resources can play in providing lower emission baseload power and in serving as a perfect partner to the development of new renewable power generation.



Santos is Australia's leading domestic gas producer and therefore, not surprisingly, we are pro-gas.

I am here today to highlight the role that natural gas can play in making meaningful progress on cutting carbon emissions.

Natural gas offers a solution that is achievable today and is affordable.

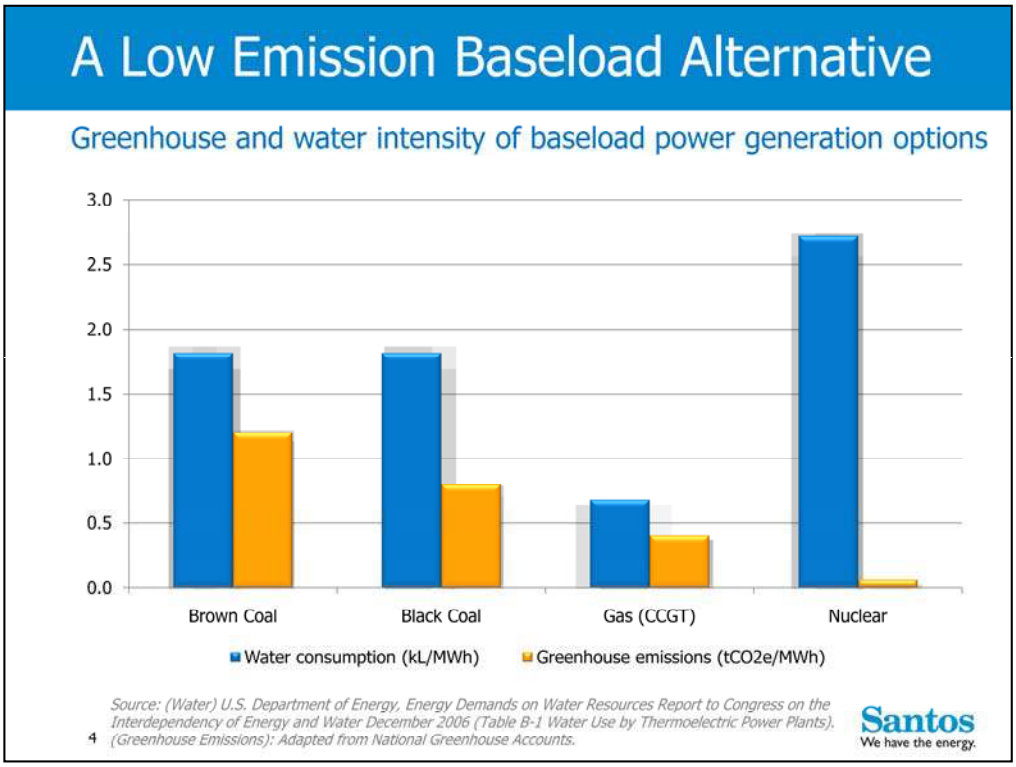


If we are serious about action on climate change we must address greenhouse emissions from power generation.

This sector is the largest single contributor to Australia's carbon footprint, accounting for 35% of all the country's greenhouse gas emissions.

This is exacerbated by the fact that over 80% of our power comes from high carbon coal – with black coal dominating electricity production in New South Wales and Queensland, and Victoria heavily reliant on brown coal.

It is important to note that over 70% of Australia's coal plants are over 20 years old. With an average plant life of 40 years, we are rapidly approaching the point where critical decisions must be made on the future direction of Australian power generation.



I would like to draw your attention to two key environmental considerations.

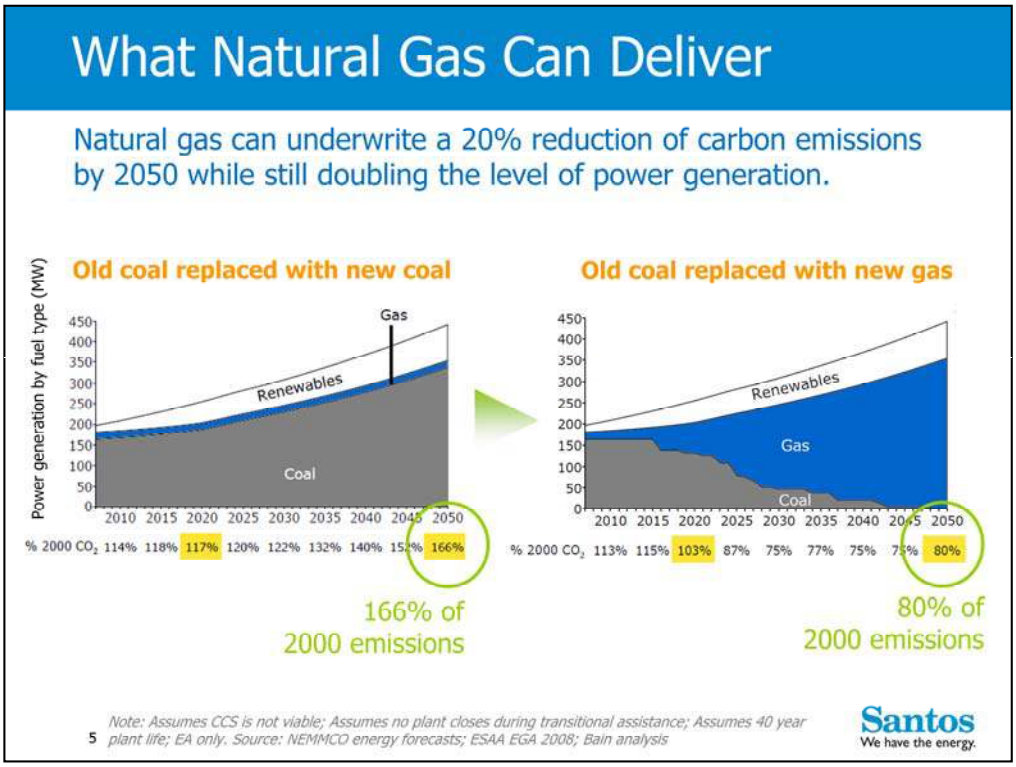
I've spoken about the carbon equation. This chart shows that new baseload gas power stations produce less than 0.4 tonnes of CO2 per MWh. In comparison, existing brown coal stations emissions are about three times higher.

It is worth noting that 89%* of Victoria's power comes from brown coal, and that's why this state has the least environmentally friendly power generation fleet in the country.

Of course, carbon emissions are not the only environmental issue in power generation. In Australia water usage is critical. When making decisions about future baseload power water intensity must be considered. Gas uses a fraction of the water required by all other baseload alternatives.

It is remarkable that Victoria uses over 22 gigalitres of high quality water from the Moondarah reservoir to cool coal-fired power stations – that's a third of the reservoir's total annual demand (64GL)^.

*Sources: * Victoria's Energy Future, 2010; ^ Alan Smart and Adam Aspinall; Australian Government National Water Commission: Water and the electricity generation industry, August 2009; Gippsland Water*

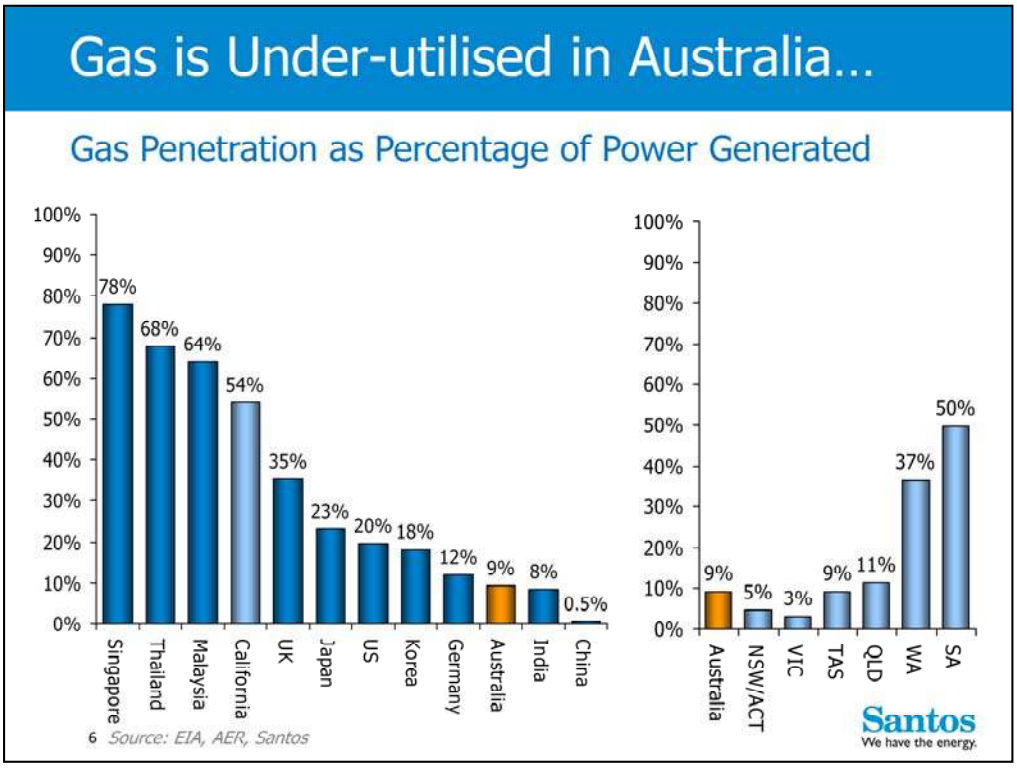


We need to find a way to produce cleaner electricity and use less water, because our population is continuing to grow and so is our energy use.

Looking out 40 years, natural gas can underwrite a 20% reduction of carbon emissions from power generation over 2000 levels while still doubling the level of electricity produced. Or in other words double our current power supply with half the emissions that would be generated if new generation came from latest generation coal plants.

This is a reminder of what we can achieve with a partnership between renewable energy and a greater role for natural gas.

This does not involve closing any coal-fired power stations, but simply replacing existing coal plants as they retire with gas – and meeting our 20% renewable energy target.

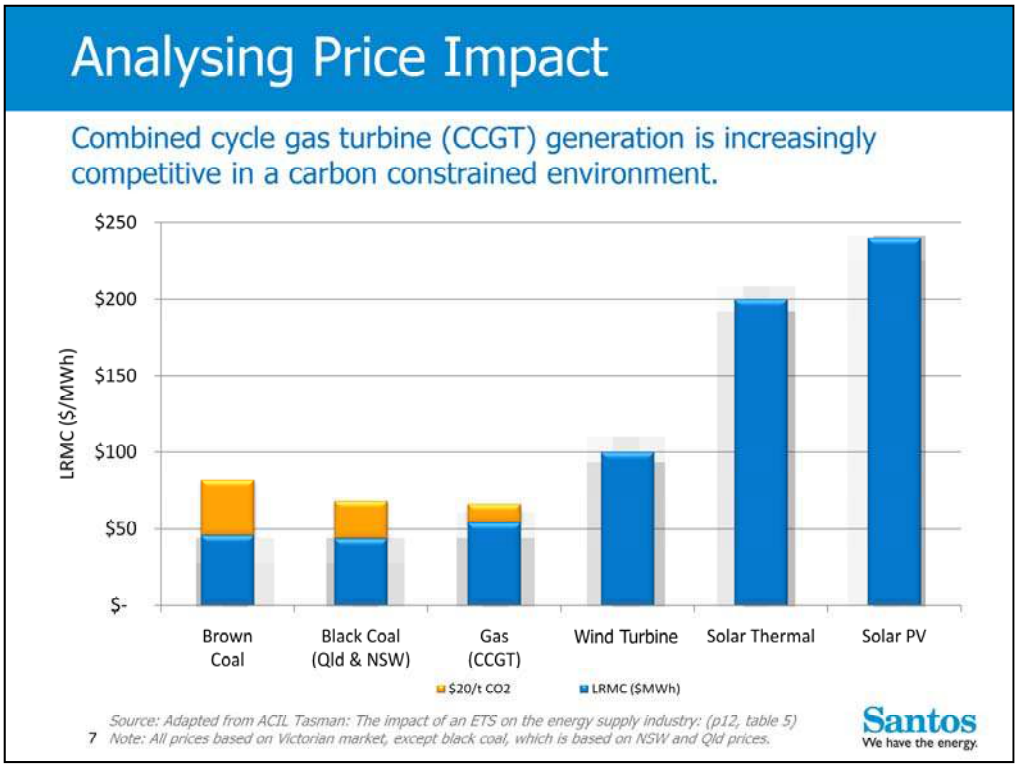


Increasing the penetration of gas is not uncharted territory. It is a proven solution.

Gas already plays a significant role in powering major economies. Singapore, Thailand, Malaysia and the state of California all get over half their power from natural gas. Over a third of Britain's power comes from gas.

Looking to Australia, it is no coincidence that South Australia – with the highest share of gas and renewable power – has the lowest emissions of any Australian mainland state.

It is also no coincidence that SA has the highest percentage of renewable power on the mainland, with 17% of the state's electricity generated by wind. Wind's contribution has grown in part due the large role of gas-fired generators, which can be switched on and off quickly as the wind waxes and wanes.



Price is clearly important in finding a sustainable solution.

Absent a carbon price, gas-fired power is slightly more expensive than coal, but it is already competitive and a relatively small carbon price will change the equation.

With a carbon price of $20 a tonne, gas power is on par with black coal and less expensive than brown coal. Such a price, based on Professor Garnaut's modelling, would see only a small increase in residential electricity bills.

I trust you won't see this as a blatant ad for gas. If we are serious about cutting carbon emissions, the right policy signals need to be put in place to drive a transition to low emission baseload generation while maintaining an affordable and reliable power supply.

I'm sure our panel discussion will reflect further on this….

Disclaimer & Important Notice

This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.

All references to dollars, cents or $ in this document are to Australian currency, unless otherwise stated.