

22 June 2018

Industry response to domestic gas supply is working, but access to new supply sources is critical

Santos today welcomed the Gas Statement of Opportunities report released by the Australian Energy Market Operator (AEMO), which forecasts a 58 PJ gas surplus in the east coast domestic market in 2019. This surplus is equivalent to 10 per cent of total expected 2019 domestic gas demand.

Last year AEMO forecast a 48 PJ gas shortfall for 2019. The turnaround reflects both increased gas production and increased availability of renewables for power generation.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said the outcome is a good demonstration of the corporate sector working in partnership with government to solve a public policy problem without the need for market intervention.

"As a proud Australian company, Santos is committed to ensuring the domestic gas market is adequately supplied and is set to deliver around 70 PJ, which is about 11 per cent of expected east coast domestic demand this year. At the same time we will also honour our LNG export contracts," Mr Gallagher said.

"The industry as a whole did an exceptional job of increasing gas supply to the domestic market in the face of unprecedented reputational challenges arising from community concerns about access to reliable and affordable energy."

"In response to the Australian Domestic Gas Security Mechanism, the industry showed it can work cooperatively with governments and customers in the national interest without the need for market interventions that could hurt Australia's ability to attract much-needed investment."

"At the same time, as mature fields decline, we have to continue to open up new gas supply sources such as our Narrabri Gas Project and Northern Territory shale gas which could be a real game-changer for energy in Australia."

Mr Gallagher said Santos has also made significant progress in reducing the cost of supply.

"When it comes to putting downward pressure on gas prices, cutting the cost of supply is a good place to start," Mr Gallagher said.

"Connected well costs in our Roma field are now \$900,000 per well, and in the Cooper Basin, our completed well costs are averaging \$2.8 million per well. That's a reduction of 72 per cent and 42 per cent respectively since the end of 2015. As Australia's lowest cost onshore developer, we're extracting more gas for less money. We are drilling 80 wells in the Cooper Basin this year, more than double the wells we drilled in 2016. And in Queensland we are drilling a record 300 wells this year. That's great for both domestic gas supply and our LNG exports."

"We are seeing growth in both gas and oil production in the Cooper Basin. We plan to continue growing that over the next two or three years and making the Cooper Basin a strong, valuable swing producer servicing the domestic gas market, including southern markets as other supply sources decline."

Media enquiries

Joanna Vaughan,
+61 2 9276 1134 / +61 (0) 419 111 779
joanna.vaughan@santos.com

Investor enquiries

Andrew Nairn
+61 8 8116 5314 / +61 (0) 437 166 497
andrew.nairn@santos.com

Santos Limited ABN 80 007 550 923

GPO Box 2455, Adelaide SA 5001
T +61 8 8116 5000 F +61 8 8116 5131
www.santos.com