

Thank you, Chairman, and Commissioners, for the opportunity to appear before you today.

First, let me introduce myself.

I'm Kevin Gallagher, the Managing Director and Chief Executive Officer of Santos.

I joined Santos in 2016 after more than 25 years in the oil and gas industry, in Australia and around the world.

Proudly Australian, Santos is a leading supplier of natural gas, a fuel for the future providing clean energy to improve the lives of people in Australia and Asia.

Santos is a top-50 ASX-listed company – we are already Australia's biggest domestic gas supplier and we aim to be a leading LNG supplier to the Asia-Pacific.

We have been working in partnership with local communities around Australia for over 65 years, providing jobs and business opportunities, by

developing Australia's natural gas resources safely and sustainably to fuel Australian industry and households.

Over the last four years I have restructured the company and implemented a “Transform Build Grow” strategy using a disciplined low-cost operating model, focused on core natural gas assets in Australia, Papua New Guinea and Timor Leste.

Narrabri is one of those assets.

Our strategy has resulted in a stronger balance sheet and improved production and financial performance, positioning Santos to pursue developments such as the Narrabri Gas Project – an important investment that would bring energy security, jobs and economic benefits to the region and to New South Wales.

I am also leading and driving the ambition within Santos to decarbonise energy at its source.

We are deploying renewables, implementing energy efficiency projects and investing in technologies like carbon capture and storage which the International Energy Agency and the Intergovernmental Panel on Climate Change say is a critical technology to achieve the world's climate ambitions.

Natural gas is the perfect partner for renewables and will play a key role as the world transitions to a lower-carbon future.

This is because gas provides the reliability that renewables need to offset intermittency in power generation.

Gas, combined with carbon capture and storage, is also the fastest and most efficient pathway to a hydrogen economy, which will be necessary to provide zero-carbon energy for transport and energy-using sectors other than power generation.

Indeed, these sectors make up more than 80 per cent of the world's energy demand.

So you can see that natural gas is a very important energy resource for decades to come, including here in New South Wales.

This important independent process will determine whether the people of New South Wales are able to have their natural gas resources developed and reduce their reliance on other states for more than 95% of their gas needs.

Indeed, Santos has been supplying gas to New South Wales customers from South Australia's Cooper Basin since 1976.

According to the extensive scientific investigations Santos has undertaken for its EIS, the Narrabri Gas Project can be developed safely and sustainably without harm to water resources or the environment

Extracting natural gas from coal seams is a clever, low-impact way of producing clean energy from coal with a very small environmental footprint on the land, as you will have seen on your recent field trip.

This clever technology means the natural gas is able to be extracted without taking the coal out of the ground.

As the Department of Planning found in its assessment report, it is – and I quote – “difficult to reconcile the significant community concerns about the Narrabri Gas Project with the technical advice from experts that the risk of any significant impacts occurring is generally low and can be controlled using standard engineering practice and imposing strict conditions on Santos”.

Santos has advised the Department of Planning that, if the project is approved, we can accept, and will implement the conditions proposed in the assessment report to provide confidence to regulators and the

community that there will be no harm to water resources or the environment.

This process is not only important for the people of New South Wales, it is also very important for the Australian company I represent – Santos.

The outcome will play a role in determining where Santos makes its next investments in natural gas development – and we want to invest here in New South Wales.

Since 2011, we have spent more than \$1.5 billion acquiring, appraising, developing and operating gas assets in the Narrabri region.

Santos is already an important member of the Narrabri community.

Narrabri gas from appraisal wells already supplies the Wilga Park power station, generating enough electricity to power around 23,000 households – and this will soon increase to 32,000 households.

We employ 16 people who live and work locally, and we are buying locally, spending \$2 million last year alone on local goods and services.

If approved, the Narrabri Gas Project would bring up to 200 skilled, well-paying, secure jobs throughout its operation and many more hundreds during the construction phase.

I am personally committed, as the Santos CEO, to ensuring that, if the project is approved, our operational employees work and live locally with their families as part of the Narrabri community throughout its operation.

As part of our commitment to the community, I am also very pleased that Santos has entered into a \$14.5 million Voluntary Planning Agreement with the Narrabri Shire Council which, if the project is approved, will deliver:

- Improved infrastructure at the Narrabri Airport
- More maintenance for local roads
- Further development of the Narrabri sports and tourism precinct
- Library relocation to allow the expansion of the Country University Centre
- And many other valuable community initiatives.

Santos will also work with the Council to encourage new gas-using industries to locate in Narrabri, bringing even more jobs and business opportunities, and helping to build stronger and more vibrant regional communities.

At Santos, we work closely with Indigenous communities to ensure protection of their cultural heritage and that they share in the benefits of development on their traditional lands.

For Narrabri, we are currently negotiating formally with the eighteen authorised applicants of the Traditional Owners of the land, the Gomeroi Nation – and we are also engaging with the broader community, including the local Aboriginal Land Council.

We value the relationships we are building with the Gomeroi people and are committed to working with the Gomeroi on matters relating to Native Title, cultural heritage management and economic development.

Importantly, Santos has a strong track record in safe, sustainable and successful natural gas development.

We are already a major producer of natural gas from coal seams in Queensland, where we are protecting water and the environment. The industry is welcomed by the communities where we operate and regional towns are thriving because of our industry.

Analysis from Lawrence Consulting shows that the Queensland gas industry has spent almost \$50 billion over the past eight years purchasing Queensland-made goods and services, investing in regional community infrastructure and in payments to government.

There are 4,600 long-term direct jobs in the industry there, and 1,700 of those are in Queensland's regional areas.

In Queensland's Roma region in 2018, Santos and our employees added more than \$95 million to Gross Regional Product. In the same year, Santos spent over \$130 million in the Roma region on local goods, services, wages, community investments, payments to landholders and payments to Local Government Authorities.

Across Queensland, farmers have received over \$500 million in payments from the gas industry and some are benefiting from a major new source of water supply, available only because of gas production.

These benefits have helped drought-proof local farms by providing a second source of income from hosting gas field infrastructure, allowing landholders to expand their business in other directions, purchase additional land and add value to their properties.

Santos ourselves operate a grass-fed beef cattle business in Queensland on our own properties, using produced water from our natural gas operations.

We have a prize-winning Droughtmaster herd that we proudly show at the Brisbane Exhibition every year.

We want to see Narrabri and surrounding communities benefit from the safe, sustainable development of coal seam gas resources in the same way Queensland communities have done over the last decade or more.

The Narrabri Gas Project has the potential to supply enough natural gas to meet up to half of New South Wales natural gas demand.

With the State importing more than 95 per cent of its gas, New South Wales businesses face a disadvantage compared to their peers in Queensland.

According to the New South Wales Business Chamber, a commercial baker in Sydney pays \$26,400 more for gas every year than they would if they were located in Brisbane.

The Chamber also claims that dry cleaners, food processors and other manufacturers would be better off by tens, and in some cases, hundreds of thousands of dollars a year if New South Wales developed its own gas supply sources.

As you know, Santos has committed that 100 per cent of Narrabri gas will be sold into the domestic market.

We have advised the Department of Planning that we are prepared to accept a condition on our resource tenure to provide confidence to the community in this regard.

Santos will bring to the Narrabri Gas Project the experience we have gained from our low-cost operating model in Queensland where we have reduced connected well costs by 84% and unit production costs by 36% since 2015.

Combined with proximity to New South Wales customers, this will make Narrabri gas very competitively-priced, delivering a new source of gas supply and helping to put downward pressure on gas prices.

The Australian Competition and Consumer Commission has found that customers in southern states, including New South Wales, pay \$2 to \$4 per gigajoule more for gas because of transportation costs alone.

That could account for 20 to 40% of the delivered gas price.

Narrabri would provide reliable, affordable, clean energy to support the one million homes, 33,000 businesses and the 300,000 jobs in New South Wales that rely on natural gas.

Without New South Wales developing its own gas resources, its businesses and households will continue to face higher energy costs than across the border in Queensland.

A decision on a pipeline route connecting Narrabri to other markets in regional and metropolitan New South Wales is yet to be made and will depend on customer requirements and strategic issues such as the ability to improve long-term supply security and competition for the State.

It is important to note that the development of the Narrabri Gas Project provides a catalyst for new economic opportunities that will benefit from increased gas supply competition and supply security over the long term.

Before I turn to water and the environment, I'd like to recap on the project's benefits as set out in the EIS:

- The Narrabri Gas Project could provide up to 1300 jobs during construction
- Up to 200 local direct and indirect jobs during operations

- Approximately \$1.2 billion in royalties to the State of New South Wales to help fund essential government services such as health, transport and education
- And a Community Benefit Fund up to \$120 million for the benefit of local community groups.

It is very important to me, and to everyone at Santos, that no harm is caused to the environment or water resources.

New South Wales already has very strong environmental regulation in place, informed by an inquiry and the implementation of recommendations of the Chief Scientist in relation to coal seam gas development.

The EIS includes comprehensive data and scientific studies, and concluded the Narrabri Gas Project would not have a significant impact on the ecology of the Pilliga Forest.

The EIS draws upon more than 13,000 hours of on-the-ground environmental surveys to produce detailed vegetation and habitat mapping.

Further surveys will be conducted as individual well locations are identified so that no protected vegetation or habitats are impacted.

The project area does not include pristine forest, National Parks or Nature Reserves.

The part of the Pilliga Forest in which the project is located is largely dry scrub land that was designated as State Forest in 2005 by the NSW government under the Brigalow and Nandewar Bioregions regional assessment, and set aside for the purposes of “forestry, recreation and mineral extraction”, with one of the strategic aims being to “provide for exploration, mining, petroleum production and extractive industry”.

At full production, project activities will cover less than half of one per cent of the Pilliga’s 500,000ha which will continue to be used for timber harvesting and other activities.

Santos will enter into conduct and compensation agreements with landholders for our operations on their properties.

As the assessment report states, there are approximately 114 residences in the project area.

Farmers who host natural gas activities are protected by indemnities offered by Santos in land access agreements, and by extensive regulation and legislation.

Following the recent withdrawal of some insurers from the market, peak industry bodies including the Insurance Council, APPEA, National Farmers Federation, AgForce and Cotton Australia are working together to provide assurance to farmers that they are, and will continue to be, appropriately protected in relation to public liability.

Turning to water resources, the EIS concluded the project would have a negligible impact on existing water users.

The groundwater model developed to assess the project's impacts was reviewed by the CSIRO which described it as "state of the art".

We have used the best available science to provide a comprehensive understanding of any potential groundwater impacts.

Santos is not proposing to take any water directly from the Great Artesian Basin or other high-quality groundwater sources such as the Upper and Lower Namoi Alluvium for production operations.

The project would extract water from the deep coal seams.

This water is salty and of no utility for existing water users.

The target coal seams are very deep, at least 350-650 metres deeper than 97% of the productive groundwater bores in the shallower aquifers overlying the project area.

The coal seams are physically separated from the shallower aquifers by hundreds of metres of impermeable rock.

The coal seams are reasonably permeable and the exploration undertaken by Santos has demonstrated that no hydraulic fracture stimulation is required to flow gas from the coal seams.

Santos has made a commitment in the EIS that it will not conduct hydraulic fracture stimulation for the Narrabri Gas Project.

Santos will remove salt from produced water so that around 80% of the water can be beneficially used for irrigation and other beneficial purposes.

The salt remaining after produced water is treated is mainly sodium bicarbonate – commonly known as “soda ash”.

At peak production, the Narrabri Gas Project will remove an average of 48 tonnes per day of this product which can be beneficially used to

manufacture glass, pulp and paper, soap and many other industrial products.

The amount of salt removed is small compared to the 1,000 tonnes of salt per day that is disposed of from the Murray-Darling salt collection scheme – that's 20 times the amount of the Narrabri Gas Project.

Santos has recently signed a Memorandum of Understanding with Natural Soda to look at processing the sodium bicarbonate to produce industrial products, which would create a new industry for Narrabri and replace imports for Australia.

If the salt cannot be used, there are 11 licensed waste facilities within 150 kilometres of the project area which can safely accept the product for disposal noting that it meets the general waste classification guidelines.

The project will also produce carbon dioxide in association with natural gas.

While the EIS assessed the gas would have an average carbon dioxide content of 10% over the operating life of the project, 250 gas samples taken from the appraisal operations indicate that the carbon dioxide content of the gas is much lower, at less than five per cent on average.

Compared to coal and some existing sources of natural gas in the east coast gas market, this is a very low CO₂ content, so Narrabri gas would be displacing higher-emissions energy sources.

Santos is also working with industrial users of carbon dioxide to potentially capture and utilise carbon dioxide for industrial purposes.

Now turning to the Department's assessment report:

In summary, the Department's assessment report concludes the project is unlikely to result in any significant impacts on the local community or the environment, that it is in the public interest, critical for energy security and reliability in NSW and would deliver significant economic benefits to NSW and the Narrabri region.

As part of the Department's assessment report a Water Expert Panel was established with independent experts.

Both the environmental and water concerns have been thoroughly investigated by Santos, independent experts engaged by us, the New South Wales Department of Planning and independent experts engaged by the Department.

They have all come to the same findings, that this project can be safely developed.

Santos is willing to accept the strict conditions proposed by the Department of Planning to ensure the project would not result in any significant impacts.

In closing, Santos is confident that we have relied upon the best science to confirm that the Narrabri Gas Project can be developed safely and sustainably, without harm to water resources, human health or the environment.

COVID-19 has changed the way we all work and live.

As we come out of the health crisis and the economy emerges from hibernation, it is more important than ever to back job-creating and investment-driving projects.

Narrabri is an area which has been heavily impacted by drought over the last three years and more recently by the economic downturn as a result of the COVID-19 pandemic.

Our rural and regional areas like Narrabri need new projects to facilitate new investments, new jobs, new business opportunities and economic recovery following drought and this public health crisis.

If approved, the Narrabri Gas Project could be at the forefront of the region's economic recovery, also delivering more competitively-priced gas supplies for industry and households across New South Wales.

My commitment is that, if the project is approved, Santos will implement the conditions proposed by the Department of Planning and the requirements of all laws, to guarantee the project is developed safely and sustainably, without harm to water resources, the environment or human health.

Thank you.