

7 December 2020

Santos and Diamond Gas International sign SPA for Barossa LNG supply and MOU with Mitsubishi for carbon neutral LNG

Santos today announced it had signed a binding long-term LNG Supply and Purchase Agreement (SPA) with Diamond Gas International Pte Ltd (DGI), a wholly-owned subsidiary of Mitsubishi Corporation (Mitsubishi), for the supply of LNG from the Barossa project.

The long-term SPA is a contractual commitment for the supply and purchase of 1.5 million tonnes per annum of Santos equity LNG from Barossa for a period of ten years with extension options, at a price based on the Platts Japan Korea Marker (JKM). Santos also has options to pursue further LNG transactions through commercial flexibilities negotiated with DGI.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said the agreement with DGI was another significant step towards a final investment decision on Barossa, which is targeted for the first half of 2021.

“Barossa is a globally-competitive, low-cost brownfield LNG project providing new supply into a tightening LNG market, where JKM-based pricing is an increasingly deep, liquid and flexible marker for both sellers and buyers.

“Santos is delighted to establish a long-term relationship with Mitsubishi, a major Japanese company with deep LNG expertise.

“The SPA delivers a firm LNG offtake arrangement which represents over 80 per cent of Santos’ equity LNG volume from the Barossa project at our expected 50 per cent interest level following the previously announced sell-down to JERA, while the JKM-indexation provides portfolio balance to our existing oil-linked LNG offtake agreements from GLNG and PNG LNG.

“It also represents the first Santos long-term equity LNG sale from one of our major LNG projects, demonstrating our marketing capability to meet customer needs in the market,” Mr Gallagher said.

Executive Vice President, CEO, Natural Gas Group of Mitsubishi Jun Nishizawa said the agreement is a significant milestone for both companies and that it will create a mutually beneficial relationship which will canvas not only the LNG segment but also various other business opportunities including ESG initiatives going forward.

President and COO of DGI Gen Kunihiro said the agreement is a significant step towards strengthening the relationship between both companies and will contribute to DGI’s stronger presence in the market.

Media enquiries

James Murphy
+61 (0) 478 333 974
james.murphy@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

In addition to the long-term SPA, Santos and Mitsubishi Corporation have signed a Memorandum of Understanding to jointly investigate opportunities for carbon neutral LNG from Barossa.

These include collaborating on opportunities relating to Santos' Moomba carbon capture and storage (CCS) project, pursuit of carbon neutral LNG, bilateral agreements for carbon credits and potential future development of zero emissions hydrogen.

Santos' Moomba CCS project is FID-ready and will have the capacity to safely and permanently store 1.7 million tonnes per annum of CO₂ deep underground in depleted natural gas reservoirs, subject to government approval regarding eligibility for Australian Carbon Credit Units.

Santos currently holds a 62.5% operated interest in the Barossa joint venture along with partner SK E&S (37.5%). Santos is also a joint venture partner and operator in Darwin LNG with a 68.4% interest.

Completion of the planned sell-downs to SK E&S and JERA, announced in early 2020, will see Santos' interests in Darwin LNG and the Barossa project change to 43.4% and 50%, respectively. The sell-downs are subject to customary consents, regulatory approvals and FID on Barossa.

Ends.

This ASX announcement was approved and authorised for release by Kevin Gallagher, Managing Director and Chief Executive Officer.

About Diamond Gas International

Diamond Gas International Pte. Ltd. (DGI) is a wholly-owned subsidiary of Mitsubishi Corporation, established in 2013 in Singapore.

DGI is tasked with contributing to develop and enhance Mitsubishi Corporation's LNG value chain, across upstream and downstream, leveraging Mitsubishi Corporation's global network. DGI's principal business domain includes (1) marketing of Mitsubishi Corporation's Equity LNG*, (2) market development in countries with growing gas demand, (3) optimization of Equity LNG position and (4) LNG shipping.

*LNG which Mitsubishi Corporation is entitled to offtake in proportion to Mitsubishi Corporation's equity share of production from LNG projects.

Source: Mitsubishi website