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Globally significant carbon capture and storage project a step closer

Santos, as operator of the Bayu-Undan offshore gas production facility in Timor-Leste and Darwin LNG, has today announced entry into the front-end engineering and design (FEED) phase for the proposed Bayu-Undan carbon capture and storage (CCS) project.

The Bayu-Undan CCS project could potentially safely and permanently store up to 10 million tonnes of carbon dioxide per annum, equivalent to about 1.5 per cent of Australia's carbon emissions each year.

The project has the potential to be the largest CCS project in the world and one of the many that will be critical to help the world meet its climate goals. The IEA Roadmap to Net Zero by 2050 envisages carbon capture, utilisation and storage growing to 7.6 billion tonnes of CO₂ per year by 2050 from around 40 million tonnes per year today.

The Bayu-Undan FEED work will include engineering and design for additional CO₂ processing capacity at Darwin LNG plus repurposing of the Bayu-Undan facilities for carbon sequestration operations after gas production ceases.

Santos is working closely with the Timor-Leste regulator, ANPM, towards the necessary agreements and regulatory framework that will be required for the Bayu-Undan CCS project. The project will also need agreements between the governments of Timor-Leste and Australia, and some Australian regulatory arrangements.

Santos Managing Director and Chief Executive Officer, Kevin Gallagher, said taking FEED builds on the growing momentum for the regional carbon reduction project.

"Located in Timor-Leste with potential CO₂ sources from Australian gas projects and other industries in the Northern Territory, Bayu-Undan CCS could be the start of a valuable new carbon services industry for Timor-Leste. It would create new jobs and a new revenue stream for the nation once gas production from Bayu-Undan ceases," Mr Gallagher said.

"Entry into the FEED phase has strong support from our five joint venture partners headquartered in Japan, Korea and Italy. And last month, a meeting of the Timor-Leste and Australian Prime Ministers included a commitment by Australia to establish an LNG Partnership Fund to deepen links between Australia and Timor-Leste in gas development and trade, including in the use of carbon capture and storage.

"With about 80 per cent of the world's energy still coming from hydrocarbons, including natural gas, and new supply investment still required to meet the world's ongoing demand for these products, it is essential that we decarbonise their production. CCS offers a large-scale, low-cost and permanent way to progressively make these fuels cleaner. CCS will also enable new clean fuels industries such as hydrogen which will dramatically reduce not only Scope 1 and 2 emissions, but Scope 3 emissions as well."

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Santos has a 43.4 per cent operated interest in Bayu-Undan and Darwin LNG. The remaining interest is held by SK E&S (25 per cent), INPEX (11.4 per cent), ENI (11 per cent), JERA (6.1 per cent) and Tokyo Gas (3.1 per cent).

Santos' approved Barossa project is one of several potential CO₂ sources for Bayu-Undan CCS, but importantly this project offers a whole of region carbon solution.

A final investment decision on Bayu-Undan CCS is targeted for 2023, subject to relevant regulatory frameworks and agreements being in place in both Timor-Leste and Australia.

Ends.

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