

16th PNG Mining & Petroleum Conference – Darley

Session 3: Global Trends and Energy: The Santos Perspective. Speech followed by Q&A.

Thank you Ticky and good afternoon everyone.

I'd like to start by acknowledging that we meet today on the lands of the Gadigal people, and I pay my respects to their elders past, present and emerging.

Santos has a strong connection with Australia's Traditional Owners and for decades, as part of our operations, we've been building relationships with Aboriginal communities where we operate, respecting their cultural heritage and custodianship of the land.

In fact, we work with 23 Traditional Owner Groups and six Aboriginal Land Councils in our operations right across Australia. We also work

closely with indigenous populations right across our operations, including clan groups and landholders in Papua New Guinea.

Without strong ties with community and the support of our Traditional Owners, Land Council groups, clan groups and landholders, we wouldn't be able to operate so I thank them for their support.

I'd also like to acknowledge this afternoon the attendance at the Conference of:

- Papua New Guinea Prime Minister the Honourable James Marape
- The PNG Government Ministers
- Members of Parliament
- Regional Governors
- Regional Landholders
- All our partners
- And lastly, the Chamber – what a fantastic turnout at the Conference today.

It is great to be here in Sydney and to catch up with many friends, colleagues and counterparts who have travelled for the conference. It's

always wonderful to be able to showcase PNG, and, particularly given what's happening at the moment in the world, it's clearly a very interesting time for energy and the resources industry.

Macro

If we look at news headlines from around the world in 2022, one thing that has been a recurring topic again and again is energy, and energy security.

We're seeing major volatility in energy markets at the moment.

While the Russian Ukraine conflict has exacerbated the issues, the problems underpinning this energy crisis have been bubbling away both in Australia and internationally, for years.

The reason behind the crisis is quite simple: supply and demand. The high oil price and gas prices are a consequence of undersupply and under investment, not only in Australia but globally.

And demand isn't waning.

LNG Demand

In fact, global LNG demand is forecast to grow by 70% to 2040, driven by global energy demand and appetite for cleaner burning fuels.

Historically Asia has represented approximately 70% of LNG demand.

In 2022, Asian LNG demand was approximately 55% of the global LNG market, this percentage drop was due to European LNG demand growing quickly.

Asian demand more than doubles to 2040 from approx. 220 million tonnes per annum in 2022 to approx. 450 million tonnes per annum in 2040.

By 2040 Asia is expected to represent approx. 65% of the global LNG market.

With Russian pipeline gas flows to Europe at just one-third of what they were 12 months ago, Europe has no choice but to maximize LNG imports given the uncertainty of Russian volumes.

To offset Russian gas supply, Europe is set to import an extra 34 million tonnes of LNG in 2022, compared to a year ago.

Currently, it's expected that Europe will install up to 80 million tonnes of additional regas capacity by 2025 - this is roughly equivalent to Australia's entire LNG supply.

That supply took 30 years to develop.

Renewables

On renewables, in 2021, renewables were added at record levels – so much so that their contribution to the global energy mix has never been greater. With that in mind, people might be surprised to know that around 80 per cent of global primary energy today still comes from hydrocarbons – the same as 45 years ago.

However, with less than 15 per cent of the population in Papua New Guinea having access to electricity, and those with access facing the challenges of temperamental supply, we must bring on new supply and continue to develop our product safely and sustainably, for years to come.

We know global supply will be tight for years to come due to OECD supply constraints, government policy, and activism. Gas must become the baseload, alongside renewables in developed countries, otherwise the transition will be very messy.

For this reason, the next 30 years calls for a structural shift in the way that the world generates energy. As an industry, we need to maintain supply while we innovate to transition to net zero emissions. With this in mind, Santos recently announced a new and invigorated strategy to help drive the business over the next 20 years or so, tied to our industry-leading target of net zero Scope 1 and Scope 2 emissions by 2040.

Our new strategy – Backfill and sustain, Decarbonisation, Clean fuels – is focussed on backfilling our current infrastructure and then sustaining production through to the mid-2040s and beyond, across our assets.

While we backfill and sustain our core assets to deliver the critical fuels the world needs, we will also decarbonise these critical fuels and produce clean fuels as customer demand evolves.

Santos is in a very strong position to be a leader in all three of these areas over the course of this decade and beyond. As a core region for Santos, our Papua New Guinean assets will be key in this strategy, and we are keen to maintain our investment focus there.

History

Santos has been a committed participant in Papua New Guinea since the 1980s, and, over the years, has been involved in more than 30 different licences in the Papuan Basin, becoming a producer in 1998 through the South East Gobe oil project in the Gulf Province.

Although we have been active in PNG since the 1980s with interests in PNG LNG, Papua LNG and PNG's oil fields, our merger with Oil Search 12 months ago delivered a real path forward for our business in PNG.

Aligned with our new strategy, Santos is positioned to grow its presence in PNG through the development of P'nyang and Papua LNG.

Commitments

You may recall that it was at this conference last year our CEO, Kevin Gallagher, spoke about the imminent completion of Santos' proposed merger with Oil Search.

A little more than a week later, Santos officially merged with Oil Search, transforming Santos into one of the world's top 20 largest oil and gas companies, delivering the company a portfolio of geographically and product diversified long-life and low-cost assets.

But more importantly, this time last year and as part of the proposed merger, our CEO made a number of commitments to Prime Minister Marape and ultimately, to all Papua New Guineans.

As part of the merger, Santos committed to:

- No planned employee job losses for the national workforce based in PNG as a result of the merger.
- Offering a PNG national a seat on the Santos board to reflect the importance of Papua New Guinea to Santos' overall business.
- Recognising the important role Oil Search played in PNG through its social program and as such, committed to maintaining the work of the Oil Search Foundation.
- Establishing the leadership of the PNG business, in-country.
- Implementing a capability building program leveraging our broader portfolio of assets to develop their technical and leadership skills.
- Maintaining focus on exploration activities in PNG to support the development and commercialization of the nation's resources.

- Seeking opportunities to work with the PNG Government and regional stakeholders to identify and develop carbon abatement projects.
- Working with our JV partners to identify and pursue CCS opportunities in PNG.

Twelve months on, I am delighted let you know we have followed through with all of those commitments:

- There were no job losses for the national workforce based in PNG as a result of the merger.
- PNG national Musje Werror joined the Santos Board as an independent non-executive Director late last year.
- We are working to build on the strengths of the former Oil Search Foundation – I'll touch on that a bit later.
- Leon Buskens has been welcomed as our PNG Country Chair.

- We continue to build capacity and skills in our PNG employees and have increased their access to training and development opportunities.
- Our focus on supporting the development and commercialisation of the nation's resources is ongoing.
- We are working with local communities to deliver a 12,000-hectare biomass community reforestation project as part of our commitment to identify and develop carbon abatement projects.
- And, together with our JV partners, work is ongoing to identify and pursue CCS opportunities.

Operational update

Since the merger, we've been busy! Operationally, 2022 has been a big year for Santos in PNG:

- We have seen strong production at PNG LNG and record gas export rates from the Santos-operated Gobe and Kutubu fields.

- In September, we received a binding conditional offer from Kumul Petroleum to acquire a five per cent project interest in PNG LNG.
- And, the Papua LNG project pre-FEED activities continued at pace.

2023 is set to be just as busy and productive, with a significant work program scheduled including:

- Our infill drilling campaign;
- The Kutubu refinery rebuild;
- And, the Gobe life extension.
- We'll also continue to work with our JV partners on the Angore field development;
- Hides F2 well;
- And, towards Papua LNG FID.

Carbon solutions

Prioritising nature-based carbon offset projects across our areas of operation provides the benefits of decarbonisation, as well as better social outcomes for local communities. One of the most exciting projects is our carbon abatement Biomass repurposing project in the Markham Valley of the Morobe Province PNG, which does both those things.

The premise is quite straightforward. We work to establish and grow trees that take carbon from the atmosphere; we enhance biodiversity by creating habitat; and we deliver social development and economic benefit to communities.

The current acreage totals around 3600 hectares, with four million trees already planted over the 160km length of the Markham Valley. Our nursery currently houses approximately 146,000 trees and has capacity to more-than double this as we expand; and we have more than 100 agreements in place and maintained with local landholders.

We are aiming for the project to sequester over eight million tonnes of CO2 over its life – a great step towards decarbonisation in PNG.

A better future

The carbon offsets program goes toward a better future. Through the merger, our CEO personally committed to working with the PNG Government and the people of PNG to create a better future.

I'm pleased to say this commitment is steadfast.

One of the most special parts of the relationship that has grown through the merger, as well as Santos' new Purpose and Vision, is the strengthening of the community work we're doing.

Through the Foundation, in 2022 we have collectively focussed on health, staff training & development, landowner business opportunities, infrastructure, and women and youth empowerment. We have made some really fantastic inroads in the communities where we operate.

We have seen improved access to better healthcare, especially for women, with the opening of a new 24-hour accident and emergency department at the Hela Provincial Hospital, and the expansion of the Foundation's community development program, which includes youth empowerment, provincial healthcare, early childhood education and support for women experiencing family and sexual violence.

But one of the biggest highlights of 2022 has been the success of promoting women's empowerment, through Santos' sponsorship of the Santos PNG Orchids, the national women's rugby league team. At the Rugby World Cup in the UK last month, the team finished as semi-finalists.

The team has progressed in leaps and bounds since 2017, breaking barriers and influencing mindsets for the better in a male-dominated sport and society. The investment by Santos in women's rugby league is an investment in the empowerment of women and girls in PNG, and their achievements on the international stage are nothing short of inspirational.

Closing remarks

As Santos looks to decarbonise our operations, PNG will remain a key focus in our strategy and as I mentioned previously, we are keen to maintain our investment focus there.

More broadly as a company, Santos is developing our three-hub carbon capture and storage (CCS) strategy. As we seek to decarbonise our economy, carbon capture and storage will be critical in achieving that goal.

Australia needs to get behind CCS, because we know net zero cannot be achieved without it. If Australia and the world is serious about net

zero, then we must be serious about decarbonising existing energy sources as the market evolves over time for new clean fuels, such as hydrogen.

In closing, the opportunities in PNG are endless. I am looking forward to making the most of the opportunities, both operationally and in the community. I look forward to getting back to PNG next week to continue to the good work Santos is doing to create a better future in PNG.

Thank you.