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MOUs executed for potential CO2 supply to underpin Santos' Bayu-Undan CCS project

Santos today announces it has signed four Memoranda of Understanding (MOU) for the proposed storage of carbon dioxide (CO2) emissions from third parties to underpin the initial development of the Bayu-Undan carbon capture and storage (CCS) project, where front end engineering design work is nearing completion.

The four non-binding MOUs for CO2 supply to Bayu-Undan CCS have been executed with potential upstream gas and LNG projects offshore the Northern Territory and in Darwin, and an energy and industrial conglomerate in Korea.

The MOUs indicate demand for CO2 storage at Bayu-Undan CCS could be in excess of 10 million tonnes per annum (Mtpa).

Bayu-Undan CCS ex-Darwin will be a relatively low-cost carbon solution, with costs expected to be well within the Australian Government's proposed price cap on Australian Carbon Credit Units.

Bayu-Undan CCS has the potential to reduce the absolute emissions and emissions intensity of Australian gas and LNG projects, as well as of other industries in the Northern Territory, by providing safe and permanent CO2 storage in depleted gas reservoirs that previously held gas and condensate in place for tens of millions of years.

Importantly, Bayu-Undan CCS provides a potential Scope 3 emissions solution for Australia's exports to Asia, with large customers in countries such as Korea looking to capture energy and industrial emissions and ship CO2 to Australia for safe, permanent sequestration deep underground.

While the Bayu-Undan CCS project is located offshore Timor-Leste, Darwin is set to be an important regional hub for CO2 capture, transfer and storage to Bayu-Undan as well as to other potential CCS locations offshore the Northern Territory, which are still in the exploration and feasibility stages.

The International Energy Agency in its recent Australia 2023 Energy Policy Review said, "Australia is well-suited to large-scale deployment of CCS to facilitate domestic CO2 abatement **and** support regional emissions reductions." (Emphasis added)

Santos Managing Director and CEO Kevin Gallagher said Timor-Leste is also well-positioned as a future provider of carbon management services. Santos working with both the Timor-Leste and Australian Governments to bring the Bayu-Undan CCS project to fruition and realise its potential as an important regional decarbonisation project benefiting both nations and our regional trade and investment partners.

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Parties to the MOUs will now work cooperatively toward securing binding commitments, including one party looking the opportunity for international CO2 transfer and carbon management services.

Santos Managing Director and CEO Kevin Gallagher said the execution of the MOUs demonstrates the strong demand for Santos' proposed CCS projects.

"Increased deployment of CCS is critical to achieve the world's climate goals and executing these MOUs demonstrates the strong underlying demand for CCS and the broad acceptance of CCS as a decarbonisation strategy," Mr Gallagher said.

The Global CCS Institute's 2022 update on the status of CCS globally reported earlier this year that, "As of September 2022, the total capacity of CCS projects in development was 244 Mtpa of CO2 – an increase of 44 per cent over the past 12 months."

Their update confirmed there are now 30 operational CCS projects around the world, storing over 42 million tonnes of CO2 per year.

Mr Gallagher said, "With Bayu-Undan CCS having a proposed pipeline capacity of 10 MTPA from Darwin, these MOUs indicate demand in excess of that capacity.

"With CO2 transport and storage demand only likely to grow, we will continue to work with the Timor-Leste and Australian governments to urgently progress the necessary regulatory and fiscal frameworks and approvals required to support the development of Bayu-Undan CCS."

The Bayu-Undan CCS project is situated within Santos' Darwin and Bayu-Undan Hub, part of Santos' three hub CCS strategy that includes the Moomba CCS project which is under construction and 60 per cent complete. First injection at Moomba CCS is scheduled for 2024.

A final investment decision for Bayu-Undan CCS is targeted for 2025.

Ends.