

29 September 2022

Heads of Agreement recognises sanctity of gas contracts

Santos welcomes the finalisation of the Heads of Agreement released by the Australian Government today. The Agreement has no adverse impact on Santos or the GLNG project.

The Agreement between the Australian Government and the east coast LNG exporters ensures that the LNG exporters' uncontracted gas will first be offered to the domestic market before being offered to international customers.

The LNG exporters have agreed to adhere to the principle that domestic gas customers will not pay more for the LNG exporters' uncontracted gas than international customers.

The Agreement removes sovereign risk by recognising the importance of honouring LNG contracts and will help to maintain Australia's reputation as a trusted and reliable LNG exporter to our trade and investment partners.

Each of the LNG exporters has provided a plan to address a forecast potential domestic gas shortfall risk in 2023 and the Government is satisfied those plans are sufficient to mitigate this risk.

For the last two years, unplanned high demand in winter has resulted in domestic gas price spikes for periods of around 65 days.

As a result, Santos' GLNG project has provided a seasonal shaping plan for 2023 that ensures LNG contract obligations can be met but also results in more domestic gas being available when it is most needed during peak winter demand periods.

Santos Managing Director and CEO Kevin Gallagher said: "The HOA is a good outcome for Santos and very welcome to remove sovereign risk and ensure long-term LNG supply contracts are honoured. Australia is arguably the most important energy-producing nation in the Asia Pacific. While our own energy security must be assured, Australia's role in regional energy security and in turn, the social, economic and geopolitical security of our region, is absolutely critical.

"The only long-term solution to energy security is investment in new gas supply sources to support the energy transition while renewables, batteries and many other necessary low-emissions technologies are developed and deployed at the required scale.

"Gas is going to be required for decades to come both here and in Asia. Investment in more supply is the only way to ensure reliability and affordability while we decarbonise our energy system. I hope all Australian governments will recognise the importance of investment in new gas supply sources going forward, including Santos' Narrabri project in New South Wales, which is a domestic gas-only project. Gas from Narrabri will always be cheaper for NSW customers than gas imported from other states or overseas," Mr Gallagher said.

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

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