

Narrabri Gas Project Community Consultative Committee Meeting 38 – May 2019

Action Item 38.2_PFTP Question to Santos 2019_ammonium nitrate plant

In reference to the Santos Media Release *Local Narrabri gas to underpin new manufacturing jobs in northwest NSW* dated 27 February 2019 (copy attached):

Question 1:

A fertiliser plant was supposed to be built at Gunnedah about 4 years ago, the Council bought the land, but the plant never eventuated. So what makes this proposal anything more than hype in an attempt to gain public acceptance and the put pressure on our politicians and Government departments to approve the Narrabri Gas Project?

RESPONSE:

NSW manufacturers are very interested in sourcing gas from Narrabri because it will always be cheaper than gas imported from other states or from overseas. The memorandum of understanding and subsequent heads of agreement reached with Perdaman is one example of the strong interest in securing competitively priced gas from Narrabri for local manufacturing.

Santos has also signed non-binding memoranda of understanding with Brickworks and Weston Energy for the supply of Narrabri gas to commercial and industrial customers across NSW.

Question 2:

What is "appraisal Gas" are Royalties to be paid on it? If Santos is gaining income from this gas and not paying the people of NSW and The Community Benefit fund and the Farmers Benefit Fund then Santos, with the assistance of the NSW Government through changes to the PO&E Act, is Santos defrauding, by denying the above mentioned persons and Funds, their rightful share of the CSG returns?

RESPONSE:

Gas extracted during appraisal activities will be beneficially used in accordance with all relevant regulatory requirements including those relating to the payment of royalties.

Santos is committed to having a positive impact in the communities where we operate. Our commitment to contribute up to \$120 million to a Community Benefit Fund over the life of the project remains unchanged.

Question 3 and 4:

Is the supply of gas and electricity from all the sources to this fertilizer plant to be guaranteed over local households and small business should there be times when the power generation is exceeded by demand? If so why? Will Santos provide figures that support these numbers? If Santos does not then Santos is providing misleading information to the community.

RESPONSE:

Santos currently operates the Wilga Park power station which generates enough electricity to supply the equivalent of more than 23,000 households. The Narrabri Gas Project could also supply up to half NSW's gas demand, providing a significant boost to the east coast domestic gas market rather than contributing to any gas or electricity shortages and suggested by the question.

More natural gas supply and competition in the east coast market is good for customers and good for producers.

Question 5:

What happens to those employed in these two projects when the NGP finishes in 25/30 years' time? The Agricultural sector will have embraced technology to cover the loss of the work force to these projects, so job positions will not be as plentiful as before.

RESPONSE:

Economic analysis of the Narrabri Gas Project presented in the EIS demonstrates the project would create jobs and economic activity in the region and have a net positive economic impact for Narrabri and the surrounding area.

Santos is also committed to employing local people and using local businesses and supplier where possible which will assist in diversifying the economic base in the region.

The number of jobs expected to be supported by the proposed ammonium nitrate plant are based on Perdaman's experience in developing and operating similar plants in other jurisdictions.

Question 6:

- a. In light of information coming to light re Bacterial corrosion to 2 gas wells in Queensland (March 27th by Saltel) and given that the REF (sent around to NGPCCC members) for the current round of DPI Water Monitoring Bores states the Departments requirement on the use of non-organic drill fluids, then how can Santos make this statement?
- b. As Santos has made this statement re the importance of the environment and water resources will Santos please explain why there are holes appearing in Santos EIS?

RESPONSE:

Santos notes the comments about activities said to have been conducted in Queensland by Saltel Industries. Santos is unaware of Saltel's activities in Queensland and has had no instances of microbial induced corrosion (MIC) requiring casing remediation in its Queensland CSG operations.

Santos also notes there is no evidence to support Saltel Industries assertion that there is a "systemic problem" with Saltel itself claiming it has conducted repair work at only 2 wells out of the thousands that have been drilled in Queensland. Saltel's claims appear to indicate that monitoring regimes in place have resulted in early detection of an MIC issue and enabled safe repair without harm to the environment or groundwater resources.

Santos has provided comprehensive information on every aspect of the Narrabri Gas Project throughout the EIS process, including a detailed response to public submissions.

Please also refer to *Action Item 38.3_Response to PFTP Question to Santos May 2019_Bacteria*.

Question 7:

Is Santos saying here that there has been no lobbying by Santos or by its predecessor, of Ministers, Members of any Parliament or Government Officials with regard to garnishing the support of the above mentioned for the Narrabri Gas Project? Will Santos now state, in writing, that there has never been any lobbying of the above mentioned persons in order to get support for the Narrabri Gas Project?

RESPONSE:

The Narrabri Gas Project is currently being assessed by the NSW Department of Planning ahead of a decision by the Independent Planning Commission.

Santos has provided comprehensive information on every aspect of the Narrabri Gas Project throughout the EIS process, including a detailed response to public submissions.

Santos remains committed to participating in the comprehensive and robust assessment process to ensure the community can be confident in the outcome.

Question 8:

a. The inland rail trains are not expected to stop en-route, so how will the Inland Rail be of benefit to Narrabri and especially to Perdaman?

b. There is a whisper doing the rounds of Narrabri that Santos is playing a big role in getting the Inland Rail Industrial Hub up and running by luring gas and electricity using businesses to the Hub. The "whisper" also has it that Santos has offered to provide gas to any user who sets up in the "Hub" at a cheaper rate than normally applies to the rest of NSW.

Is Santos prepared to comment on this either confirming or denying the "whisper"?

c. If Santos has the inland Rail go through Leewood, will Santos be putting in a rail siding, if so what will this siding be used for given the stated information about the main train function of not stopping?

RESPONSE:

Questions in relation to the benefits of the Inland Rail project to Narrabri should be directed to ARTC Inland Rail.

Santos supports development of the Logistics and Industrial Hub being pursued by the Narrabri Shire Council. The hub has the potential to attract new businesses to the region and strengthen the local economy. Narrabri gas could also support new industries in the region.

While Santos has no direct role in attracting businesses to the proposed hub, we would be pleased to talk to any business looking to source competitively priced gas in NSW.

Question 9:

If the fertilizer plant is anything like the plant at Newcastle, then air quality cannot be assured to be of a standard where health and the environment will not be affected should there be an "event" of some kind. Even at the best of times fertilizer plants emit odours, and if the 'whisper' is correct and the plant is earmarked for the "Hub" then it will be in proximity to other developments where there are persons working.

Should this fertilizer plant be located in the "Hub" what measures will the plants operators and the 'Hub' management take to eliminate any such problems that might emerge with regard to air quality, health and safety of the hub worker, neighbour.

RESPONSE:

Santos has entered into a non-binding memorandum of understanding and subsequent heads of agreement to supply Narrabri gas to Perdaman, a fertiliser producer looking to build a new plant in the region and create hundreds of construction and ongoing local jobs and small business opportunities.

A final location for the proposed facility has not been selected. The proposed facility would be required to meet NSW environmental regulations.

~~~~

ENDS

27 February 2019

### Local Narrabri gas to underpin new manufacturing jobs in northwest NSW

Santos and Perdaman have today announced a non-binding agreement for the supply of 14.5PJ of natural gas per annum over 20 years, subject to a final investment decision for the Narrabri Gas Project.

The gas would be supplied to a proposed new ammonium nitrate plant near Narrabri to produce fertiliser for agribusiness, a key sector of the NSW economy. The plant would be developed in parallel with the Narrabri Gas Project to use appraisal and early development gas.

Hybrid power, a combination of gas-fired power generation integrated with renewable power generation will also be assessed to provide electricity to both the Narrabri Gas Project and the ammonium nitrate plant.

The plant is expected to support 700 jobs during construction and another 100 direct and 100 indirect ongoing jobs during operations. This is in addition to the hundreds of jobs that will be supported by the Narrabri Gas Project during both construction and operations.

These two projects will be a boost for small businesses and the communities in and around Narrabri.

Santos Managing Director and CEO Kevin Gallagher said Santos has committed to develop the Narrabri Gas Project solely for the east coast domestic gas market.

"Narrabri gas will be very competitively-priced gas. Santos will bring to Narrabri our experience in Queensland where we have reduced connected well costs by a massive 84 per cent since 2015. Keeping the cost of supply down is a very good way to keep gas prices down," Mr Gallagher said.

"The Narrabri Gas Project could produce enough gas to supply up to half NSW's needs.

"It's also very important to us that the environment and water resources are protected, and NSW has very strong environmental regulation to ensure Narrabri can be developed safely and sustainably. The Narrabri Gas Project is currently being assessed by the NSW Department of Planning ahead of a decision by the Independent Planning Commission.

"We want the process to be comprehensive and robust so the community can be confident in the outcome. There is no place for politics in the independent planning process," Mr Gallagher said.

Manufacturing customers like Perdaman recognise the importance of locating new plants close to new natural gas supply sources and are hopeful the Narrabri Gas Project will proceed to a final investment decision as soon as possible.

#### Media enquiries

Daniela Ritorto  
+61 8 8116 5167 /+61 (0) 455 319 770  
daniela.ritorto@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  
+61 8 8116 5000  
www.santos.com

Narrabri is ideally located for new manufacturing with nearby access to the new Inland Rail linking key east coast ports and the national highway system.

Perdaman Group's Founding Chairman and Managing Director, Mr Vikas Rambal, was pleased to enter the agreement with Santos.

"The cheapest gas for manufacturing projects like ours is always going to be available close to the supply source so you don't have to pay for long-distance transport and unnecessary processing," Mr Rambal said.

"We will bring new competition, which is always good for prices, to the fertiliser market in NSW and that will be good for farmers in the region."

"And new industries will help support small businesses, better infrastructure, better health and education services, and growth in the communities in and around Narrabri," Mr Rambal said.