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Santos proposes gas-fired power station for western Victoria

Santos today announced a proposal to construct a nominal 500 MW power station near Orford in western Victoria.

The proposed move into power generation reflects Santos' recognition that natural gas will play an increasingly significant role in Australia's power generation mix.

With an estimated total project cost of \$800 million, the first phase of the proposed combined cycle gas turbine (CCGT) Shaw River Power Station would be expandable to a three-CCGT nominal 1,500 MW plant supplying power to the eastern Australian energy grid.

The proposed power station would be built adjacent to the existing Moorabool to Heywood 500 kV high voltage transmission line. Natural gas would be supplied from Santos' gas portfolio via a new dedicated 105 km underground gas pipeline from near Port Campbell.

Front End Engineering Design (FEED) studies will commence immediately. The project remains subject to regulatory and internal corporate approvals. A Final Investment Decision expected by the end of 2009 would enable first power generation in 2012. Various options for funding the project will be considered during the FEED process and it is not intended that this project will impact on the Company's ability to maintain its credit ratios and fund its LNG projects.

An Environmental Effects Statement is expected to be required, which will involve consultation with landowners, local communities, government and regulatory agencies.

Santos chief executive David Knox said the company is committed to providing long-term clean energy solutions for Australia and was always exploring options to grow its business.

"We believe there is a bigger role for gas in providing Australia's base-load electricity needs as the economy transitions to a lower carbon emissions footprint," Mr Knox said. "As Australia's largest producer of domestic gas, Santos is keen to be a driver of that process."

Mr Knox said gas-fired power generation offered significant environmental advantages over coal-fired generation.

“Natural gas-fired power emits up to 70% less CO₂ than an existing brown coal-fired power generator,” he said.

“In addition to the carbon dimension, gas-fired power uses much less water than coal. An existing wet coal-fired power generator uses 100 times the amount of water than an equivalent dry, or air cooled, gas-fired power generator as we are proposing.”

“Entry into power generation is consistent with Santos’ strategy of accelerating the commercialisation of its gas reserves and resources. It is a gas demand channel with a high growth potential.”

Shaw River Power Station would result in the creation of around 600 jobs during construction and 35 full-time jobs once the plant was operational. In addition, the gas pipeline construction is expected to create another 130 jobs.

Santos has significant gas reserves and resources in Victoria, and has been producing gas since April 2003, supplying over 140 PJ to Victorian customers.

Santos has invested over \$100 million in Victoria over the last six years. It is investing a further \$280 million in the next few years on a range of gas projects, including the upgrade of the Patricia Baleen gas plant near Orbost, and facilities to bring gas from the Kipper, Henry and Netherby fields to market.

A map of the proposed Shaw River Power Station location is attached.

Further details in relation to this proposal and Frequently Asked Questions are available on Santos’ website www.shawriverpowerstation.com.au

Ends

Santos stock symbols: STO (Australian Securities Exchange), STOSY (NASDAQ ADR), Ref #82-34 (Securities Exchange Commission)

