

OUR ENERGY FUTURE DEPENDS ON NATURAL GAS

Thank you, Bernadette, for such a warm welcome.

And thank you to the team at the WA Energy Club for organising the event and hosting us all at lunch today.

It's great to be back in Perth amongst friends of our industry and to see so many of you here supporting the Energy Club.

We are meeting on the lands of the Whadjuk Nyoongar people and I pay my respects to their Elders past, present and emerging.

I also acknowledge Traditional Owners and Indigenous people everywhere Santos operates, including in Papua New Guinea, Timor-Leste and Alaska.

And I thank them for their support.

Around Australia, we have 95 agreements with 23 Traditional Owner groups and six Land Councils relating to native title, cultural heritage and consent.

These agreements enable our operations – and in turn deliver a range of social and economic benefits to the Indigenous communities we work with.

But we must do more to close the gap on Indigenous disadvantage.

I am saddened by what I see in some of our remote communities.

The lack of access to basic services in housing, health, education, training and employment, recreation – things we take for granted.

I am working hard with all my leadership team to design new ways to ensure our First Nations communities can better share in the benefits of our projects.

And participate through well-paid jobs and skills development programs.

When I last addressed the WA Energy Club two years ago, the world – apart from WA – was still gripped by COVID lockdowns.

Today the world is faced with new dangers.

Wars in Ukraine and the Gaza Strip, the ramifications of which go far beyond those countries, including to our own shores.

Great power rivalry between the United States and China.

These geostrategic battles are generating instability in our region and their effects are being keenly felt in energy markets.

I have long lamented the world's retreat from the open, competitive markets that have underpinned global prosperity and peace since World War Two.

Yet these events are driving a faster retreat – and a shift away from specialisation based on competitive advantage towards so-called “sovereign capability,” regardless of the cost.

We must resist this retreat.

Australia must remain an active and collaborative member of the Asian region by using our resources to help our neighbours secure their energy needs and decarbonise their economies.

The International Energy Agency's (IEA) latest World Energy Outlook appeals for such global and regional co-operation, saying:^[2]

“No country is an energy island, and no country is insulated from the risks of climate change. The necessity of collaboration has never been higher. Especially in today's tense times, governments need to find ways to safeguard co-operation on energy and climate, including by embracing a rules-based system of international trade and spurring innovation and technology transfer. Without this, the chance to limit the rise in global temperatures to 1.5 °C will disappear. The outlook for energy security will also look perilous if we lose the benefits of interconnected and well-functioning energy markets to ride out unexpected shocks.”

Sound and sobering advice.

And a sensible approach that should define the future of Australian energy and climate policy.

Because Australia's position as a leading and trusted gas supplier for the giant energy-consuming economies of Asia is in decline.

Our neighbours are concerned about Australia's ambivalence to their energy security and its apathy towards the success and growth of the gas industry, despite the clear role that gas will play in the region for decades to come.

According to Wood Mackenzie, Australia's gas industry will remain important with gas demand in Asia forecast to grow by around 50 per cent between now and 2050.

Countries like Japan, Korea, Malaysia, Indonesia, Singapore and China, simply will not sacrifice the energy security of their people or their economies.

^[2] 2023, International Energy Agency, *World Energy Outlook 2023*, <https://iea.blob.core.windows.net/assets/66b8f989-971c-4a8d-82b0-4735834de594/WorldEnergyOutlook2023.pdf>, p22.

So if the gas does not come from Australia, it will come from Russia, the Middle East, Africa or North America.

And if Australia decides to leave its gas resources in the ground, we will be sacrificing:

- Skilled, secure, well-paid jobs for Australian workers
- Business opportunities for Australian companies
- The vitality of regional communities like Karratha, Darwin, Whyalla and Roma
- Our domestic gas supply which largely depends on export projects
- Government revenues that fund health and education
- And export income.

Two years ago I talked about the challenges of the global energy transformation and the race to net zero.

While those challenges are just as important today, they have been joined by new challenges of skyrocketing energy prices and fears of energy insecurity in many countries around the world.

These new challenges cannot be ignored because they are a direct threat to the ever-rising living standards that Australia and other western countries have come to expect as a permanent feature of our societies.

They are inflationary and they are a major contributor to cost-of-living pressures which are the number one concern of Australian households today.

They are also a threat to the middle-class aspirations of developing countries around the world and therefore to their social stability.

Last year the number of people around the world living without electricity rose by about six million, the first global increase since the IEA began tracking the numbers 20 years ago.

Energy poverty is increasing and the number of people who live with chronic hunger is also on the rise.

Because when energy prices rise, so do food prices.

Unlike the oil price crises of the late 1970s, the energy price rises of the last couple of years have applied to oil, gas and coal, and therefore they have been felt in almost every area of the global economy.

So the stark change in language from the IEA was very welcome when it released its update to the Net Zero Emissions by 2050 (NZE) scenario in September.

I'm sure you will recall the headlines around the world in 2021 claiming "*no new oil and gas projects*" would be needed on the path to net zero by 2050.

That claim has been repeated by many – including politicians, regulators, investors, bankers and other institutions.

But it was a claim that was never quite that simple or clear cut.

The NZE scenario relied on certain assumptions:

- Customers changing their consumption behaviours
- The renewable rollout accelerating rapidly
- And developing technologies, like hydrogen, entering the market at scale.

As we now know, many of these things are not on track, so a more moderate approach has been taken to the NZE scenario released by the IEA this year.

However, the market signal of the NZE in 2021 – combined with the pandemic and geopolitical instability of recent years – served to worsen the global supply and demand imbalance that has given us today's high energy prices and supply shortages.

Which is why I welcome the more measured language in the latest NZE report that *“continued investment is required in existing oil and gas assets and already approved projects.”*

I couldn't agree more.

The report does say that no *“new long lead time upstream oil and gas projects”* are needed.

But, that statement comes with a very clear caveat: *“if demand reduces as per the scenario.”*

That's a very big “if.”

The updated NZE scenario remains very ambitious on renewables and hydrogen growth. And it assumes dramatic fossil fuel demand destruction of 25 per cent by 2030 and 80 per cent by 2050.

As I've been saying for a number of years, there is a fundamental disconnect between what the world says it wants from the energy transformation and its consumption patterns.

Put simply, we cannot turn off the taps on oil and gas before replacement technologies are technically feasible, affordable and available.

Fossil fuels still account for around 80 per cent of primary energy today – the same as 45 years ago – and peak consumption has not yet occurred.

So if we are serious about reducing emissions, we have to be serious about abating emissions from fossil fuels.

As the IEA's recent World Energy Outlook says, *“Simply cutting spending on oil and gas will not get the world on track for the NZE Scenario.”*

The slower than expected pace of the renewables rollout, the need for firming of renewables to deliver 24/7 power – and the lack of demand growth for new fuels, particularly hydrogen – has meant continued strong demand for traditional energy products.

Despite this, the shrill voices of climate activists – including the politicians who represent the wealthiest voters in Australia – continue to call for no new oil and gas projects.

They have no regard for the cost-of-living pressures facing ordinary Australians in the outer suburbs of our cities and in rural and regional Australia.

In fact, they want to make things harder for them by diverting taxpayer money away from essential services like health, into subsidies for uneconomic energy technologies and the Teslas garaged in the wealthiest electorates in the country.

A transition strategy that is based on rent-seeking and subsidies will not be sustainable.

If new energy technologies are not economic, they will not succeed and Australians will be poorer for the experiment.

That is simply a lesson of history.

I have said for many years that we must reduce our emissions and transition our economies, but we must not do this by punishing the most vulnerable people in our society.

As the IEA's 2023 Energy Policy Review said, *"The ACCC retail pricing inquiry of 2018 found that 30 per cent of the lowest income households spend eight per cent on fuel, but this has greatly increased since. Judging by the United Kingdom fuel poverty definition... energy poverty is becoming an issue"* for Australia.

The climate enemy is emissions, not fossil fuels.

Shutting down traditional energy industries will drive energy prices up and energy security down.

It will also slow the pace of the energy transition.

The oil and gas companies are the very companies that governments should be engaging to drive the energy transformation.

This is because we have been through energy market transformations before, including building the global LNG market over the course of the last 40 years.

Together, we have made Australia one of the world's biggest and most successful LNG producers.

Our customers in Asia have increased their energy security through fuel diversity which also reduced their reliance on higher-emissions fuels like coal and diesel. We need to recognise the important role that fossil fuel industries must play in transitioning to a decarbonised world – because it is these industries and companies which have the capability, resources, infrastructure, customers and balance sheets to deliver it.

We must embrace Australia's important role as a reliable supplier of LNG to our region and as a potential provider of new, low-carbon fuels and carbon storage services to decarbonise regional economies.

Carbon storage could be an exciting new industry for Australia in Asia.

In its 2023 Energy Policy Review, the IEA highlights Australia's competitive advantage in carbon storage, saying *"Australia is well-suited to large-scale deployment of carbon capture and storage (CCS) to facilitate domestic CO2 abatement and support regional emissions reductions."*

I want to acknowledge the bipartisan support we saw in Canberra this week for legislation that will pave the way for the cross-border transport of CO₂ to enable regional decarbonisation through carbon capture and storage.

The same shrill political voices I referred to earlier – those representing the wealthiest electorates in the country, those with a mandate for climate action – voted against this legislation, against a climate solution that the IEA says is critical for the world to get to net zero.

This legislation will open up carbon sources for carbon capture and storage projects in Australia.

And importantly, it will enable Santos's proposed Bayu-Undan CCS project in Timor-Leste to store CO₂ from Australia – including from our Barossa Gas Project – making it one of the lowest-carbon intensity LNG projects in the world.

I know you will be expecting me to give you an update on our Barossa Gas Project offshore the Northern Territory.

However, as a Federal Court decision is has just been made today regarding whether or not we can start to lay the pipeline from the gas field to the tie-in with the pipeline to Darwin LNG – my comments will necessarily be limited.

A year ago, when the approval of the Barossa Drilling Environment Plan was set aside by the Federal Court, it was seen by some as a company issue.

Today, it is very clear that the regulatory system for offshore projects, administered by NOPSEMA, can no longer be relied upon.

It is an industry issue.

Only five environment plans have been approved this year.

One of them has been overturned by the courts.

Approvals are taking nearly two years, contracted vessels and equipment are on standby at a cost of millions of dollars per day.

And the regulator is bogged down in the assessment of more than 40 plans.

But the greater problem is climate activism and litigation that is squarely aimed at finding loopholes in Australia's legal system wherever they may exist.

This litigation has one goal – to stop new oil and gas projects.

Like Barossa, like Scarborough.

Committed investments totalling more than A\$20 billion.

Projects that workers, families and communities in the Northern Territory, Western Australia and South Australia are depending on for their livelihoods.

The litigation against Santos is not funded by Traditional Owners or Indigenous communities, but by the Environmental Defenders' Office.

As we understand it, the sources of these funds are government grants, non-transparent donations and other opaque arrangements.

It is time to call this out and for all of us to stand up for the industry before any further damage is done:

- To the thousands of Australian workers whose jobs are uncertain
- To our contractors and suppliers
- To our investors, who include Australian superannuation funds
- To our customers
- To Australia's economy
- And to its reputation as a safe place to invest.

Santos and the industry are absolutely committed to consultation with Traditional Owners and Indigenous communities – indeed, with all the people and organisations who could be affected by our activities.

We are committed to the protection of cultural heritage and the environment.

And we will respect the legal process.

But no industry can function in an environment where the rules can not be known and the goal posts continually move.

Ultimately, no amount of climate litigation will make the energy transition faster or stop the oil and gas projects needed to meet the world's energy demand.

But if it continues, it will cost Australian jobs, drive energy prices up and damage our economy.

The gas will just come from somewhere else because people around the world will not sacrifice their living standards.

The world could not feed itself today, or anytime soon, without fertilisers made from gas.

We do not yet have replacements for the materials that are fundamental to our modern civilisation – steel, cement and plastics.

Chemicals and materials made from oil and gas are pervasive in everyday life – from medicines and medical equipment to the paint on our walls.

People, innovation, technology and science will solve the energy transition problem.

But there is no single silver bullet.

It is why I encourage governments not to pick winners and to work with us.

We are the companies spending our own capital on decarbonisation projects – and we can help deliver the energy transition in a disciplined and measured way.

If governments are truly anti-emissions rather than anti-fossil fuels, they should embrace the ongoing use of abated oil and gas, direct air capture and CCS as well as renewables and new low-carbon fuels.

Because the benefits of using existing infrastructure and energy systems will save trillions of dollars and deliver net zero – without compromising our living standards.

Thank you for having me here today and I look forward to taking your questions.

For the Q&A session, please welcome to the stage Mary Hackett, a fellow Celt, former colleague and an expert in energy systems and the challenges before us.