



Santos Ltd  
ABN 80 007 550 923  
Santos Centre  
60 Flinders Street  
Adelaide South Australia 5000  
  
GPO Box 2455  
Adelaide South Australia 5001  
Telephone: + 61 8 8116 5000  
[www.santos.com](http://www.santos.com)

6 April 2023

**TO:** ASX Market Announcements  
**FROM:** Company Secretary  
**SUBJECT:** **2023 Annual General Meeting**

Please find attached the Chair's and Managing Director and Chief Executive Officer's addresses to the 2023 Annual General Meeting held today.

**Amanda Devonish**  
Company Secretary

## Chair's Address

I will commence our business today with my report to you, covering our results in 2022 and our priorities for 2023.

Note that values referred to are US dollars unless otherwise stated.

On behalf of the Board, I would like to acknowledge the work and commitment of everyone at Santos throughout 2022.

2022 was a transformative and successful year for Santos.

Our Managing Director and CEO Kevin Gallagher and his team have continued the momentum of previous years and delivered a record operating performance, strong balance sheet and increased shareholder returns in the context of a challenging global environment.

Santos continues to drive shareholder value through our disciplined operating model and capital management framework.

The external world has been even more challenging and volatile than in 2021.

Global instability continues to impact the global economy, driving inflation, disrupting markets and causing volatility in commodity prices.

This volatility is also a product of almost a decade of underinvestment in the supply of both oil and gas to meet strong, ongoing customer demand.

As a result, energy security has become a key priority globally, alongside decarbonisation.

There is no shortage of gas in Australia to meet both our own needs and those of our region.

The issue is the development of new supply.

We face ongoing challenges in securing regulatory approvals for resource development, price regulation, potential contract interference and the prospect of increasing resource taxation.

These factors combine to put at risk future supply of the critical fuels needed to meet strong ongoing demand from our customers.

When these regulatory changes are retrospective – coming after final investment decisions and financial commitments have been made – they make Australia a harder place to invest.

Australia's reliability as a supplier of the energy that Japan, Korea and Malaysia need to support

their economies and the needs of their people – is the very foundation of our relationship with these nations.

LNG will still be an important part of their energy mix in 2050 – which is why our Darwin LNG and Gladstone LNG projects are so important, along with our PNG and Papua LNG projects.

Every one of the Australian Energy Market Operator's 20-year supply and demand scenarios requires new investment to get that gas out of the ground and to the east coast market.

Cost of living is Australia's number one issue.

Our industry can help put downward pressure on energy prices but only if we have a stable regulatory and fiscal environment so we can invest in new supply.

While Santos has proactively and voluntarily outlined a path to net zero Scope 1 and 2 emissions by 2040, compliance obligations for emissions reduction have also increased through the Safeguard Mechanism changes in Australia just last week.

But they have not been accompanied by support for the large-scale carbon capture and storage projects which are critical to the achievement of net zero plans.

This threatens Australia's competitiveness and will push up the cost of decarbonisation for Australian industry and consumers.

Kevin will have more to say about this later.

Kevin will go into the year's operational and financial performance in more detail, but our results reflect the highly cash generative nature of our business – \$3.6 billion dollars this year alone.

As announced last November, our strategic focus is on:

- development projects that backfill and sustain our core assets to deliver critical fuels into the 2040s
- decarbonising the energy chain
- and ultimately transitioning to the production of clean fuels as customer demand evolves.

This means we will continue to develop existing projects that we have had in our portfolio for many years.

In large part that will utilise our existing pipelines and gas processing infrastructure.

Projects such as Barossa, Narrabri and Papua LNG that have been planned for and invested in, through approvals, appraisal and engineering processes for many years – remain great projects to have in our portfolio.

As we execute our new strategy, we will continue to focus on value accretion for shareholders and delivering sustainable returns to shareholders over the longer term.

Our company's strong performance and the strength of our new Strategy has not yet been reflected in our share price.

Our balance sheet is stronger with gearing reduced to 18.9 per cent in 2022.

As a result, the company announced the return \$1.5 billion to shareholders, comprising:

- a 78 per cent increase in the final dividend to 15.1 cents per share unfranked, bringing total dividends declared for the year to 22.7 cents per share, up 62 per cent
- and an on-market share buyback of \$700 million.

The Board has responded to shareholder feedback and is targeting shareholder returns of at least 40 per cent payout of free cash flow generated from operations each year.

At last year's AGM, we provided shareholders with a non-binding advisory vote on our Climate Change Report and promised to do that every three years.

This year we released our sixth annual Climate Change Report.

One of the highlights is the achievement of all three short-term targets for 2025 that were set in 2018.

We have also established Santos Energy Solutions, a new business division including our decarbonisation and clean fuels business.

While producing record results, 2022 was a year of focus on people, culture and social performance.

The combination of four different companies over the last five years, all with different cultures and different ways of working, undeniably presents a challenge.

Santos will conduct its next culture survey later this year.

Santos also monitors external surveys, together with more comprehensive internal survey data analytics to identify long-term cultural trends.

Areas that have improved over time are career growth and diversity, collaboration – and fairness and equity.

Work-life balance, flexibility and performance management have been identified as opportunities for improvement.

Our CEO is taking positive steps to get the balance right between enhanced productivity and workplace flexibility through a diverse range of employee value programs.

These programs are aimed at retaining and attracting the people we need to deliver our Vision 2040 and implement our strategy.

Programs such as our paid parental leave program, supporting both primary and secondary carers, and providing subsidised childcare, are industry leading.

The board also forms its own view of culture through its visits to site.

A highlight of 2022 was our visit to Papua New Guinea, where we held our first in-country Board meeting post the Oil Search merger.

As part of that visit we were able to meet with people in our Highlands operations and at the Exxon-operated LNG plant near Port Moresby.

As you saw in our video, we are partnering with a wide range of communities and First Nations people across Alaska, Australia, Papua New Guinea and Timor-Leste.

Our initiatives span education, health, sport, youth and the environment – all aimed at building a better future for the communities where we operate.

But there are areas for improvement.

In 2022 the Full Federal Court set aside the National Offshore Petroleum Safety and Environmental Management Authority's approval of the Drilling Environment Plan for the Barossa Gas Project.

While Santos had consulted with Traditional Owners and their representative bodies on the Barossa Gas Project since 2016, the decision set a new benchmark for the breadth of stakeholders and the extent of consultation that should be undertaken for each activity of the project.

We respect the decision of the Federal Court and are currently consulting again about our drilling activities.

While we have been consulting and working with the Gomeri people since 2012 to reach an agreement under the Native Title Act to allow the Narrabri Gas Project to proceed, we were not successful.

As a result, Santos sought arbitration through the National Native Title Tribunal.

Last December, the Tribunal determined the grant of petroleum production licences could proceed after considering a range of factors including the public benefit of the project.

The Tribunal also found that Santos had negotiated in good faith.

The Gomeri have exercised their appeal rights and Santos will respond respectfully to the Court.

As always, we remain willing to work with the Gomeri towards a voluntary agreement for both Narrabri and our Hunter Gas Pipeline.

Strong, positive, mutually beneficial relationships with our people and our communities is vital to Santos' success.

I want to recognise the agility of Kevin and his team in refreshing our strategy to meet the challenges of the energy transition.

Their continuing focus on our disciplined, cash-generative operating model, truly delivered shareholder value in 2022.

With a strong balance sheet and a future-focused strategy, Santos is now well set up to successfully transition the company into a low-carbon world.

Finally, I thank my fellow Board members for their commitment to Santos over the past year and you, our loyal shareholders, for your confidence and belief in the company.

I also want to thank all Santos employees for their contribution and commitment to the Company and for their strong ongoing support for the Company's Vision 2040.

I'm very excited about our future and I hope you are too.

I'll now hand over to Kevin. Thank you.

## Managing Director and Chief Executive Officer's address

Thank you Keith.

I hope you all enjoyed our video at the commencement of proceedings today.

As you would have seen, we have a strong presence and commitment to local and First Nations communities everywhere we operate – in PNG, Australia, Timor-Leste, and Alaska.

I am particularly proud to have hosted the inaugural CEO Traditional Owner Forum in Adelaide last November along with my leadership team.

I have had many memorable moments in my career and the Yarning Circle we formed in November was one of those moments.

Our role for the day was simple – to listen.

Some of the messages were a little uncomfortable to hear, some filled me with enormous pride, but mostly the day highlighted the work we can do together to shape a better future.

One of the key outcomes of the day was the establishment of an Indigenous Advisory Panel representing our Australian

Traditional Owners, which held its inaugural meeting last month.

The Forum and now the Panel has helped us strengthen our relationships as we work together to deliver tangible, meaningful and sustainable outcomes for our Traditional Owners and their communities.

As Keith said, our relationships with our people and our communities, as well as our customers and other stakeholders – are vital to the success of our company.

Turning to our results, 2022 was the first full-year period since the merger of Santos and Oil Search.

We have again delivered record results – the highest production, revenue, free cash flow and underlying profit in Santos' history.

These results are driven by strong customer demand for our products and higher commodity prices.

They demonstrate the financial strength of the combination and the benefits of creating a new Santos with:

- strong diversified cashflows
- and the capacity to provide sustainable shareholder returns, fund sustaining supply developments and transition to a lower carbon future.

Production was up 12 per cent to 103.2 million barrels of oil equivalent.

Strong operational performance, combined with higher prices, delivered a record \$3.6 billion dollars of free cash flow, up 142 per cent.

Sales revenue was up 65 per cent to \$7.8 billion dollars, as strong base business performance positioned us to benefit from higher commodity prices.

Underlying profit was up 160 per cent to a record \$2.5 billion.

In December, we announced a simplified capital management framework targeting higher shareholder returns.

We have delivered on that commitment.

Our diversified portfolio and disciplined operating model are designed to deliver free cash flow through the commodity price cycle.

Since 2016, our portfolio has delivered \$9 billion dollars in free cash flow.

As Keith mentioned, we announced our revised strategy in November.

This strategy has seen us refine our business structure to optimise production and drive decarbonisation.

Our Upstream Gas and Liquids division will now focus on projects that backfill and sustain our core assets, delivering the critical fuels the world needs.

And our Santos Energy Solutions division will build a decarbonisation and clean fuels business that will evolve with market demand.

Santos is well positioned to meet customer demand in a world where global energy security and decarbonisation priorities will need to be carefully balanced over the next two decades.



Our Upstream business comprises three LNG projects in Darwin, Gladstone and Papua New Guinea – and two producing Australian domestic gas assets, onshore in the Cooper Basin and offshore Western Australia.

In the Cooper Basin, we added a fifth drilling rig, to help boost production.

GLNG achieved record upstream equity production.

Our assets in PNG also performed well, with PNG LNG producing 8.6 million tonnes.

Bayu-Undan has been a success story, with production extended into this year, enabling additional spot cargoes from Darwin LNG.

In Western Australia we have had some challenges, with lower production and accelerated natural field decline at Reindeer and Spar/Halyard.

Pleasingly however, the Spartan development well has performed well on test, and will provide the next tranche of gas supply for Varanus Island when it comes online shortly.

Our Upstream projects have been well executed over the past year despite external challenges.

Our Barossa gas project offshore northern Australia is now more than half complete and remains a highly value accretive project for Santos.

Barossa is a world-class LNG asset designed to utilise existing infrastructure at Darwin LNG to deliver a low-cost source of supply to Japan and Korea.

Manufacturing of the FPSO, subsea equipment and gas export pipeline continues to progress well.

Drilling of the development wells is suspended while we progress all remaining approvals and undertake community consultation following the guidance provided by the Federal Court last year.

We have held a series of community engagement sessions on-country on the Tiwi Islands in recent months.

The sessions were designed to provide information as well as help Santos understand first-hand what is important to Tiwi people and what measures we can take to address any concerns they may have.

We are also implementing the requirements of a General Direction from the regulator, NOPSEMA, to further investigate potential First Nations underwater cultural heritage along the pipeline route.

Independent experts are engaging with Tiwi people to understand their spiritual and cultural connections to any underwater cultural heritage features and landscapes.

Our target to reach net-zero emissions by 2040 includes reducing carbon emissions from the Barossa Gas Project.

Santos has been proactively and voluntarily pursuing carbon capture and storage for Barossa emissions in depleted reservoirs at Bayu-Undan.

The Bayu-Undan CCS project is now even more important, following changes to the Safeguard Mechanism last week.

Front end engineering and design studies on the Bayu-Undan CCS project are nearing completion and we have already taken a final investment decision on Darwin pipeline duplication to enable transport of CO<sub>2</sub> from Darwin LNG to Bayu-Undan.

Engagement with Australian, Northern Territory and Timor-Leste governments and regulators continues.

Their support in facilitating timely approvals and necessary regulatory frameworks is critical.

With a capacity of 10 million tonnes per annum, Bayu-Undan CCS is a bold emissions reduction project that could be a potential large-scale, low-cost CCS hub for other LNG producers, industries and customers in the region.

One of the highlights of 2022 for Santos was taking a final investment decision for the Pikka project last August.

Pikka will have a small surface footprint, utilising existing infrastructure, including the Kuparuk transportation pipeline and the Trans-Alaska pipeline.

We are committed to delivering a net-zero project for our equity share of scope one and two emissions.

We have signed MOUs with Alaska native corporations to deliver high-quality carbon offset projects.

Low-carbon oil projects like Pikka are critical for global and United States' energy security.

Pikka represents compelling value for Santos shareholders given its robust economics and strong local stakeholder support.

We have now also taken a significant step forward with Papua LNG, last month announcing entry into front end engineering and design.

Our Narrabri Gas Project remains a great project for Santos to have in our portfolio with new domestic gas supply needed in the east coast gas market within the next few years.

And in Western Australia, our Dorado Offshore Project Proposal was accepted by NOPSEMA in February this year.

We also established a specialist decommissioning group in Western Australia, and successfully and safely completed offshore scopes of work for decommissioning our Mutineer Exeter floating facilities.

Turning to Santos Energy Solutions, this new division is focussed on delivering decarbonisation projects and clean fuels for the future.

Decarbonising natural gas supports the long-term supply of reliable and affordable low carbon energy as well as the potential production of clean fuels, including ammonia.

As the Head of the International Energy Agency has said, reaching net-zero goals without CCS will be almost impossible.

We are developing a three-hub CCS and clean fuels strategy across our operating footprint in Australia and Timor-Leste.

Our Moomba CCS project, which will be one of the biggest in the world, paves the way for a significant carbon reduction and storage story for Santos and for Australia.

The project is 50 per cent complete and on track for first injection of CO<sub>2</sub> next year.

This is an example of Santos investing real dollars in a real decarbonisation project.

We also look forward to commencing trials of direct air capture technologies in the Cooper Basin later this year.

These technologies could, if successful, leverage our significant infrastructure, CO<sub>2</sub> storage capacity and Moomba CCS project to build a new carbon management business for Santos that helps other industries decarbonise.

Santos is also looking at green hydrogen projects in the Cooper Basin and at Port Bonython

that, together with direct air capture, have the potential to facilitate the development of net zero synthetic methane that can utilise existing infrastructure.

In Western Australia, we are undertaking feasibility studies and working with potential customers for CCS services utilising our existing infrastructure and offshore reservoirs.

We continue to report our progress towards our target of net zero Scope 1 and 2 emissions by 2040 through our annual Climate Change Reports.

Climate transition investments will meet our disciplined investment criteria, be demand-led by our customers and consistent with our operating model.

I am confident we have the right strategy and organisation to prosper through the energy transition.

Gas remains a critical fuel for an orderly energy transition, but we must invest in new supply.

People still need to have access to affordable energy which requires more gas supply, not less.

In the Asia-Pacific, LNG demand is expected to almost double by 2040, according to Wood Mackenzie forecasts.

As a leading global independent LNG supplier, Santos is well-positioned to benefit from this increasing demand.

Through our Moomba CCS and other proposed projects, we are also very well-positioned to produce abated gas and LNG.

In a low-carbon world this should provide Santos with a valuable competitive advantage over time.

Australia is, however, falling behind the United States and a number of other countries in recognising the criticality of CCS.

The Inflation Reduction Act in the United States has positioned the country to grow its LNG export industry by accelerating the deployment of large-scale CCS.

Over \$10 billion is allocated to developing and deploying CCS.

Tax credits of up to \$85 per ton for CCS projects and up to \$180 per ton for direct air capture projects are available to incentivize private investment.

The importance of the oil and gas sector in delivering abated fossil fuels has been embraced in the United States.

U.S. Energy Secretary Jennifer Granholm said recently “We know that oil and gas will remain part of our energy mix for years to come.”

“And we know that even the boldest projections for clean energy deployment suggest that, in the middle of this century, we’ll be using abated fossil fuels.”

“We need to advance the technologies for abating fossil emissions...”

She went on to say “So perhaps most of all, we need the energy sector stepping up. And that certainly includes the oil and gas industry.”

I believe the same is true for Australia.

The oil and gas sector is the only sector that already has the technical expertise to deliver CCS, a history of successfully delivering major projects of the size and scale required to deliver the energy transition – and importantly, the balance sheets to fund them.

Without the oil and gas sector, the energy transition will take longer and cost more – but for it to play the role it needs to play in Australia it will take a bipartisan approach to energy and climate policy that puts the best interests of the nation first.

Unfortunately that has been missing for too long.

In summary, it was a great year for Santos.

Record operating performance drove strong free cash flows and delivered higher returns for shareholders.

The business is running well and we have created a global energy company of size and scale.

With size and scale comes the opportunity to accelerate our aspiration to become a clean fuels company and reach our net-zero target by 2040.

In closing, the world’s desire to get to net zero faster and the pace of change in regulation of our business to try to achieve that, has not been matched by the pace of clean energy technology advances and deployment, investment in clean energy infrastructure or demand shifts by our customers.

This has not only placed enormous pressure on global energy markets – it has placed enormous pressure on our people and I thank them for their resilience, innovation, adaptability and commitment to Santos and our strategy.

As I said last year, these attributes are a great competitive advantage for Santos as we rethink the world's energy solutions and our place in a low-carbon world.

Our company is well-positioned to continue to generate strong free cash flows from our Upstream business as our products remain in strong demand for decades to come.

Our Energy Solutions business will also build new revenue sources through decarbonisation projects such as CCS and clean fuels production as customer demand evolves globally.

Importantly, as Keith said, we will continue to focus on shareholder value, returning at least 40 per cent of free cash flows from our operations annually.

Thank you.

I will now hand back to Keith.

The formal business of the meeting was then conducted.