

March 2022

Senate Inquiry into Oil and Gas Production and Exploration in the Beetaloo Basin.

Response to Questions on Notice - in hearing

SENATOR MCCARTHY: On the area of the Daly Waters region, I ask: what kind of investment goes into some of these roadhouses and the Daly Waters Pub area from your companies?

CHAIR: Just to clarify, Ms Winters, you've agreed to take Senator McCarthy's questions on notice as well. With that, we would like a full list of businesses that you are engaged with. That is the scope of the question. Would you like the notional financial amounts, Senator McCarthy?

Answer:

Santos has not directly invested in the roadhouses or the Daly Waters Pub, however, we do use these facilities for worker accommodation from time to time (for example, if workers cannot get back to dedicated camps within the strict driving rules that apply to our employees and contractors, or when workers are in transit, etc). Santos expects our employees and contractors to comply with strict behaviour standards, including in relation to alcohol consumption, as set out in Santos' Code of Conduct and the various procedures of Santos and our contractors.

In 2021, Santos spent \$60 million with Northern Territory-based contractors and companies to support our operations across the Northern Territory. This expenditure is with 45 separate organisations and includes rental services, accommodation, civil contractors, engineering and supply services, haulage, environmental, cultural heritage and more. We have not named the specific organisations so as to respect the privacy and confidentiality of our goods and service providers.

CHAIR: You've got interests in both the Darwin and Gladstone export terminals, don't you?

Ms Winters: Yes, we do. **CHAIR:** How much is that worth? **Ms Winters:** I'd have to take that on notice. I don't have the number off the top of my head.

Answer:

The participants in Gladstone LNG (GLNG) are Santos (30%); PETRONAS (27.5%); Total (27.5%); and KOGAS (15%). In Santos' 2021 Annual Report, page 93, we reported that at the end of 2020 the "recoverable amount" for Santos' share of GLNG was US\$3.6 billion. You could also derive value from the annual LNG sales from GLNG, which were 6.4 million tonnes gross in the 2021 calendar year.

The participants in Darwin LNG are Santos (43.4%), SK E&S (25%), INPEX (11.4%), Eni (11%), JERA (6.1 %) and Tokyo Gas (3.1%). Annual LNG sales from Darwin LNG were 3.2 million tonnes gross in the 2021 calendar year. Santos has not reported a carrying amount for Darwin LNG.

CHAIR: You've currently got enough gas to support your export contracts to 2035—

Ms Winters: No, I said would come back to you; I'm taking that question on notice. But we do have long-term contracts with a long horizon of production.

Answer:

Yes, Santos has enough gas to support our export contracts. Santos releases an annual reserves statement, and this is publicly available on our website www.santos.com.

CHAIR: Can you describe, so that we can understand, the nature of the partnership between Santos and the US company Tamboran?

Ms Winters: I will take that on notice because I don't have the details of the joint venture arrangements on hand. I will come back to you with the various joint ventures that we might be engaged in with Tamboran.

Answer:

Santos is involved in only one joint venture with Tamboran. Santos is the operator of exploration permit EP 161 in which it holds a 75% participating interest and Tamboran holds a 25% participating interest.

CHAIR: I would like you to take on notice whether you are aware of these legal letters that have been sent, and which have been considered a legal threat by the pastoralist Rallen. I would like to know whether Santos is aware that those letters were sent, whether it had any involvement in drafting those letters, and whether there was any authorisation from Santos's perspective on the cease-and-desist letters from the solicitors. I would like a full response in relation to that to be taken on notice, please.

Answer:

Santos had no prior knowledge of Tamboran's legal letters to Rallen of 8 May 2021 and 13 August 2021 and was not a party to them. Santos became aware of the 8 May letter to Rallen when Rallen referred to the letter in separate and unrelated correspondence to Santos. Santos became aware of the 13 August letter to Rallen when the letter was made public by the Senate Inquiry.

Santos notes that Tamboran is the sole owner and operator of EP 136, EP 143 and EP(A) 197 tenements, which also sit within the Beetaloo Sub-basin and overlay Rallen pastoral leases (at least in part).

Response to Written Questions on Notice – Sarah Hanson-Young

What are you intending to do with Tanumbirini Station once you get land access? Are you going to engage with stakeholders?

Answer:

The land on which Tanumbirini Station is located has multiple land use titles, including for pastoral use and natural gas exploration. Santos and our joint venture partner have obligations to meet under our exploration title and must carry those obligations out in accordance with a strict regulatory regime that sets out our consultation requirements with other land users, including pastoralists and Traditional Owners, and a variety of other relevant stakeholders in the community.

Working collaboratively with pastoralists across the country is essential to unlock Australia's natural gas resources for the nation's energy security and affordability, to generate export income, to power Australian households and industries, and to support employment and local business opportunities especially in regional Australia. Strong and enduring relationships are fundamental to the sustainability of our business activities.

Santos has over 2,000 active land access agreements. Over the past five years, Santos has invested \$77 million towards helping landholders to diversify their income streams, upgrade equipment and technology, and receive the best return for their land.

Santos intends to exercise our rights and carry out our obligations under our petroleum exploration permits in the Beetaloo Sub-Basin, located in the Northern Territory. We will do this in compliance with the law. Santos will continue to engage constructively with all stakeholders, including the owners and operators of Tanumbirini station, and looks forward to a productive working relationship with them.

If a majority of Traditional Owners voted clearly to withhold consent for a Santos gas project, would you abandon plans to pursue it in accordance with their wishes?

Answer:

Santos respects and will comply with Australia's and the Northern Territory's laws in relation to native title, land rights, land use and cultural heritage. This includes the law in relation to rights to speak for country.

Santos holds Tripartite Agreements which are required for the grant of petroleum exploration permits in the Northern Territory. In addition, Santos holds Exploration Agreements with our host Traditional Owners. These comprehensive agreements have been negotiated under the governance framework of the Northern and Central Land Councils, post completion of anthropological studies.

Santos respects the legally-determined rights of Traditional Owners in all our activities but also consults, negotiates and addresses grievances with broader Indigenous peoples directly or through their self-governed Indigenous representative bodies. Where disputes between Indigenous peoples arise, Santos respects due legal process, civil agreements and as applicable the governance processes of the Indigenous representative bodies.

Additional Questions on notice from Senator Thorpe:

Our water is vital and integral to our cultural heritage and cultural practices. What assurances can you give us in terms of water table protection and environmental protections?

Answer:

Thirteen separate scientific inquiries in Australia into gas exploration and production have concluded that the activities can be conducted safely and without harm to water or the environment when appropriate regulation and practices are in place.

All petroleum activities in the Northern Territory are subject to rigorous environmental approval processes and strict approval conditions. The Petroleum (Environment) Regulations 2016 require that an environment management plan (EMP) is developed for activities to ensure appropriate environmental management practices are implemented during the various stages of that activity.

All petroleum activities are required to abide by the Code of Practice: Onshore Petroleum Activities in the Northern Territory (COP), which was developed following the Territory's independent inquiry into hydraulic fracturing to ensure that the environmental impacts and environmental risks of the petroleum activities are reduced to a level that is as low as reasonably practicable and acceptable.

Santos meets all requirements of the regulations and COP, which articulates the minimum standards that must be employed to ensure we protect the environment, including groundwater.

Santos has been granted water licences that set a limit on the extraction of groundwater for use in operations. The NT Government assesses applications in the same way as any other licence applicant, including checking proposed water requirements and verifying that these are reasonable, evaluating water availability and evaluating the potential impacts on the water source. Additional rigour for this assessment is also applied to the petroleum industry to ensure the extraction does not impact nearby water bore supplies.

The licence details volumetric limits and Santos measures and reports the volume of all water we extract to the NT Government. We are confident that this activity does not impact the availability of groundwater to other users or the environment.

Santos is committed to protecting water resources and the environment in all our activities.

How much water does each well site use? Will you be extracting that water for free, or will you be paying a commercial rate to our communities for the water you extract?

Answer:

Santos holds water licences that allow extraction of groundwater for use in our operations. These water licences are granted in accordance with the Northern Territory's water management legislative framework that includes licence regulations and Water Allocation Plans. The Northern Territory Government decides the volume of water that is made available for extraction and all water users including pastoralists, communities, the petroleum and other industries are required to apply for licences to take water from this allocated extraction volume. Santos operates under the same extraction framework as all other water users.

Santos has two water licences that are used to provide water for Tanumbirini operations. Water Licence GRF10280 is for water extracted from the Gum Ridge Formation. This licence has a maximum water entitlement of 193.5 ML/year – which represents 0.0000055% of the estimated volume of the aquifer. During our 2021 operations Santos used approximately 50 megalitres per well (horizontal well with ~10 fracture stimulation stages). Once a well is drilled and stimulated it is not likely to require a significant quantity of water for general maintenance.

What will you do if a gas well leaks into our underground water systems?

Answer:

Santos has drilled over 4,000 successful oil and gas wells in more than 60 years of exploration and production.

The scientific inquiry into hydraulic fracturing in the Northern Territory concluded that the likelihood of a well integrity failure (that is, where all barriers fail), *"is very low, typically less than 0.1%"*.¹

Santos uses an Asset Integrity Management System (AIMS) to ensure that the management of operated wells complies with Santos standards and government regulations and to identify any potential well construction or operational issues. AIMS requires regular monitoring of cased, suspended, or producing

¹ www.frackinginquiry.nt.gov.au 4286

wells to ensure the effectiveness of well barriers. This surveillance includes visual checks for any leaks at surface and monitoring of annulus pressure to ensure well barrier integrity.

If surveillance identifies any conditions indicating concern with the integrity of a well barrier, an appropriate remedial response would be developed and executed to isolate the well from any underground water systems.

What is your plan to clean up spills? What will that look like?

Answer:

Santos has comprehensive spill management plans in place for all our activities.

Spills are a rare occurrence and our first priority is to prevent spills occurring. In the rare event of a spill occurring, minimum standards for wastewater management, including spill management, are specified in the Code of Practice (COP) for onshore petroleum activities.

Santos meets all requirements defined in the COP to ensure the risk of a spill is as low as is reasonably practical. In the event of an incident, the company would immediately contain the spill and stop it at the source, and consult with the NT Government to determine the most effective clean-up method. The relatively small volumes of wastewater and fluids being managed in our activities means the maximum potential size of a spill would be limited to a small area contained within the vicinity of our operations. The potential impact of a spill would be negligible.

Will First Nations people be equity stakeholders in this industrialisation of their land? Will they be receiving shares/ share portfolios that can directly benefit their communities? And if not, why not?

Answer:

Santos works constructively with Traditional Owners to address what they want to see included in agreements relating to the use of their land.

Santos has over 90 executed agreements relating to native title, cultural heritage and consent executed across its operations and works with the relevant Traditional Owners for the lifecycle of our operations.

Santos is committed to building and maintaining mutually beneficial relationships with Indigenous communities. Santos has longstanding relationships with many Indigenous communities, some dating back over 30 years. We engage and work in partnership with Traditional Owner Groups and Land Councils for the lifecycle of our operations on matters relating to Native Title, consent and cultural heritage management. In addition, we work to support economic opportunities including but not limited to employment, training, education and enterprise opportunities.

Petroleum activities in the Beetaloo Sub-basin are still in the exploration phase. At this stage of activities when there is no revenue being produced from our activities, native title holders are compensated based on a percentage of work program cost.