



Committee Secretariat
Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
fadt.sen@aph.gov.au

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Submission for the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019

Oil Search Limited (“Oil Search”) makes this submission in response to the *Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019 (the “Bill”)* currently before the Australian Senate.

Background on Oil Search

Established in 1929, Oil Search is a Papua New Guinea (PNG) oil and gas exploration, development and production incorporated company, with dual listings on the Australian Securities Exchange (ASX) and Port Moresby Stock Exchange (POMSOX). Oil Search is a top 50 ASX company with a current market capitalisation of c.A\$13 billion. Approximately 40% of Oil Search’s shareholders are Australian based.

Oil Search operates all of PNG’s currently producing oil fields and the Hides Gas-to-Electricity Project and invests in a number of exploration licences in PNG and in the North Slope of Alaska. It also has a 29% interest in the PNG LNG Project, a world scale liquefied natural gas (LNG) development, operated by ExxonMobil PNG Limited. Efic participated in the landmark US\$15.5 billion project financing arranged to support the development of the PNG LNG Project.

In partnership with major international petroleum companies, Oil Search is progressing two major LNG developments in PNG that have the potential to double the country’s LNG exports and drive significant economic growth over the long-term.

Through Papuan Oil Search Limited (“POSL”), an Australian incorporated wholly-owned direct subsidiary company, Oil Search employs approximately 300 staff in its Sydney office who provide technical and support activities for the Oil Search Group, including engineering, geological analysis, finance, IT, commercial and legal services. The majority of POSL’s services are delivered to Oil Search group companies operating within PNG.

Oil Search contracts directly, and indirectly via its major non-operated joint ventures, with Australian companies to provide engineering, procurement and construction services to projects within PNG.

Oil Search is also focussed on delivering energy solutions in PNG, including gas-powered generation, domestic gas and energy distribution, and renewable energy generation. Oil Search has invested in a gas-fired power station in Port Moresby and is progressing the first utility-scale renewable biomass power generation project in PNG. The scope of this portfolio aligns with the PNG Government’s strategic priorities,



including its goal of 70% electricity connectivity by 2030 and the country's transition to 100% renewable energy by 2050.

Submission on the Bill

Oil Search is strongly of the view that the Bill, by increasing Efic's callable capital by A\$1 billion and introducing the "Australian benefits test" and expanding the range of infrastructure projects that will qualify for meaningful Efic financing support, will enhance Australia's relevance and relationships across the Pacific region.

It is well understood that less developed countries frequently struggle to attract capital for major infrastructure projects. Using PNG as an example, the challenges in procuring debt capital for transformational infrastructure development are magnified by its non-investment grade country credit rating, that constrains global debt capacity allocations by non-government financial institutions, the limited funding flexibility of State entities, modest domestic capital pools and exchange control regulations.

Accordingly, it is important that Efic obtain dependable access to material capital to support large regional development projects that are in the Australian national interest. In particular, and as was exemplified by the successful project financing of the PNG LNG Project, other prospective lenders to PNG development projects take great comfort from the demonstration of explicit Australian Government support, via meaningful Efic debt financing. The close political, social and economic relationships between Australia and PNG are well understood by international private and government financiers and the provision of Efic financing brings these relationships to the fore. In addition, other financiers are able to leverage the quality of Efic's credit, environmental and social due diligence processes that underpin its lending decisions.

Finally, Efic's capacity to finance major regional developments, in the Pacific in particular, is considered important as an avenue to help balance any potential influence from other nations that are prepared to provide material infrastructure funding to Pacific countries, often on a concessional basis.

Yours faithfully

Stephen Gardiner
Chief Financial Officer