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The Santos logo is displayed in a bold, blue, sans-serif font.

4 June 2009

John Hawkins
The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600
climate.sen@aph.gov.au

Dear Sir

**SANTOS SUBMISSION TO THE SENATE STANDING COMMITTEE ON ECONOMICS
INQUIRY INTO THE CARBON POLLUTION REDUCTION SCHEME BILL 2009 AND
RELATED BILLS**

Santos welcomes the opportunity to provide further comment to the Senate Standing Committee on Economics¹.

Santos is a major Australian oil and gas exploration and production company with high quality assets and projects throughout Australia and the Asia-Pacific region. Santos has recently announced plans to enter into the gas-fired electricity generation market. Santos is also developing a multi-billion-dollar project to build a LNG facility at Gladstone, Queensland. Through our interests in the Darwin LNG joint venture, Santos is already exporting LNG to Japan.

Santos has more than 1,700 Australian-based employees working across its operations, and offices in Adelaide, Brisbane, Perth, Gladstone and Roma. We supply over 20% of eastern Australia's domestic gas and have the largest Australian exploration portfolio by area of any company – 192,000 square kilometres.

Santos understands that climate change is a long-term, global issue, requiring urgent but informed action to stabilise atmospheric greenhouse gas concentrations. Santos believes that a well designed cap-and-trade emissions trading scheme provides the lowest cost path to achieve greenhouse gas emission reductions. Accordingly, Santos:

- supports the passage of the Government's Carbon Pollution Reduction Scheme Bills (CPRS), with the proviso that the ability for natural gas to compete on a level playing field, whether in the domestic or export market is preserved (gas gets equal, not special treatment);

¹ Santos also refers to its submission to the Senate Standing Committee on Economics dated 25 March 2009 and our submission on the Carbon Pollution Reduction Scheme Bills 14 April 2009.

- supports APPEA's position in relation to permit allocation for the LNG industry², which maintains that a carbon impost should not be imposed on Australian LNG projects until our international competitors face a similar impost; and
- believes Australia's abundant reserves of natural gas have the capacity to drive clean, affordable and reliable energy security to both Australia and the Asia-Pacific and in so doing materially contribute to both domestic and global greenhouse gas emission reduction efforts.

Santos notes that the CPRS is similar in architecture to that proposed by the Garnaut Review³, the Shergold Report⁴, and although broader in coverage, is similar to the model put forward by the National Emissions Trading Taskforce⁵.

We also note that a cap-and-trade emissions trading scheme was the preferred carbon impost model policy taken to the federal election by the major political parties⁶.

Reducing the carbon intensity of power generation

To confront climate change and achieve the Government's target of a 60 per cent reduction in greenhouse gas emissions by 2050, we need to reduce the carbon intensity of Australia's baseload power generation. At the same time, Australia needs to be cautious not to pursue solutions that results in a shock to the overall cost structure of our economy or reliability in our energy supply.

Changing eastern Australia's national electricity market will not occur overnight. In geographical span, it is the largest interconnected power system in the world, covering a distance of 4,500 km and servicing nearly 9 million customers, and has more than 45,000 MW of installed capacity and turnover in excess of \$11 billion.

Change is essential in power generation and should be embraced. Santos supports the passage of the Government's CPRS with the proviso that the ability for natural gas to compete on a level playing field, whether in the domestic or export market is preserved (gas gets equal, not special treatment).

Unless a clear price of carbon is established upon a sufficiently level playing field, enabling assessments of the demand for gas, the pace of economic transition and overall investment certainty, then the full potential for natural gas (a low emission technology) will be at best delayed, at worst lost.

² Santos has contributed to the development of the APPEA submission and endorses its position in respect of the LNG industry.

³ Garnaut, Ross; *The Garnaut Climate Change Review Final Report*, October 2008.

⁴ Shergold, Peter; Prime Ministerial Task Group on Emissions Trading; *Report of the Task Group on Emissions Trading*; Department of Prime Minister and Cabinet; May 2007.

⁵ National Emissions Trading Taskforce; *Possible Design for a National Greenhouse Gas Emissions Trading Scheme: Final Framework Report on Scheme Design*; December 2007.

⁶ Australian Labor Party; ALP National Platform and Constitution 2007; Chapter 9 - *Combating Climate Change and Building a Sustainable Environment*; April 2007.
The Coalition Government Election 2007 Policy; *A Climate Resilient Future: A Clean Energy Plan for Australia*; November 2007.

Sending a clear carbon price signal

Santos supports the commencement of the CPRS in 2011 and believes that there is sufficient flexibility in the design to adjust to the outcomes of international developments in the future.

Linking the CPRS globally to other trading schemes will ultimately give Australian businesses increased access to low-cost, cross-border abatement options as well as allow Australia to contribute to a global solution to climate change.

Australia must move forward in the energy debate and that means accepting that the perfect carbon trading system suiting everyone's interest may not be available.

From a natural gas perspective, we ask from Parliament no more than a clear carbon price and a level playing field upon which to compete.

If that is provided, Australia's natural gas industry will be poised to create tens of thousands of skilled jobs, along with multi-billion-dollar investments, and more again in royalties and export earnings. Much of this will benefit regional Australia, as we now see in Roma, Dalby and Chinchilla, in the southeast Queensland gas province.

Delaying the passage of this legislation will continue to foster uncertainty in the business community and potentially delay the transition to lower emission technologies, particularly in the energy sector. We recommend that the 2011 start date be clearly and firmly locked in as soon as possible to create the certainty to allow necessary long term investment to proceed.

We would be pleased to discuss any matter raised in our Submission at your convenience.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Bennett', with a long horizontal flourish extending to the right.

CHRISTIAN D. BENNETT
Group Executive Public Affairs