



OIL SEARCH LIMITED

(Incorporated in Papua New Guinea)
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Export Credit Arrangements
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

20 March 2012

Dear Sirs

I write to you to express our concern regarding a number of the key points and recommendations which have been published in your recent draft report on Australia's Export Credit Arrangements. I believe the Draft Report does not fully capture or identify the contribution that EFIC makes, in not only providing financing and insurance but the pivotal leadership and coordinating role in financing activities in driving the stated national agenda.

Oil Search Limited is a Papua New Guinea Company but is listed on the Australian Stock Exchange, with about 60% of our shareholders in Australia. We are not a large organisation but have grown materially over the past 20 years, as a result of resource development in Papua New Guinea.

EFIC and the role it has played in supporting financing for the Kutubu development in 1992 and more recently the PNG LNG financing in 2008, has been pivotal in the successful delivery of these developments and without their expertise and commitment to coordinate and provide finance, it is likely that they would have at best been materially delayed. EFIC's commitment was crucial to achieving the support of other Export Credit Agencies and commercial banks for each of these projects.

The role that EFIC played in each of these financings was different for Kutubu and PNG LNG. The Kutubu development represented the first major oil project in Papua New Guinea. It was at a time where the perception of political risk for investments in that country was very strong, with political, fiscal and community stability under serious question. Without the presence of the Australian Government, through EFIC, for financing and insurance, many of the commercial lenders would not have joined the finance and insurance syndicates. Their presence was critical in pulling the financing together.

In the case of PNG LNG, the development consortium was looking to complete the largest project financing ever to take place, during the depths of the Global Financial Crisis. The success of the financing was reliant, in part, to the presence of ExxonMobil as Operator and co-financier, however a

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very significant part of the large financing was provided by Export Credit Agencies, from Australia, Japan, the United States, China and Italy. Again the commercial banks and other financing sources would not have filled the financing gap had the ECA's not been present. The commercial banks provided less than US\$2 billion of the US\$14 billion debt finance required for the project.

As the local expert, other ECA's stated that the presence, experience and professionalism of EFIC in evaluating and supporting the financing was critical in their participation to the level achieved. EFIC was seen as the local specialist on PNG and other ECA's looked to them for support and commitment, representing the full backing of the Australian Government. This role, carried out by EFIC, in terms of regional leadership, is not captured in your draft report, yet it is critical in terms of realising projects that have great significance for Australia, including the significant procurement of goods and services from Australian companies, large and small, which was understood to be a condition of EFIC's support.

The PNG LNG Project is probably the only major factor that can change Australia's ongoing financial commitment in aid to Papua New Guinea. EFIC's role in bringing it to fruition cannot be underestimated. Their expertise, commitment and leadership, demonstrated to the international financing community were pivotal in the timely success of this financing. Guarantees would not have sufficed in this instance.

I would be happy to expand on my submission should you think it necessary.

Yours faithfully,
OIL SEARCH LIMITED

Peter Botten CBE
Managing Director