

Santos Limited
ABN 80 007 550 923
Santos Centre
60 Flinders Street
Adelaide South Australia 5000
GPO Box 2455
Adelaide South Australia 5001
Telephone: 08 8116 7378
Chief Financial Officer
Direct: 08 8116 5157
Facsimile: 08 8116 5131

The Santos logo, featuring the word "Santos" in a bold, blue, sans-serif font.

20 March 2012

Export Credit Arrangements
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Sir/Madam

Productivity Commission's Draft Report February 2012, 'Australia's Export Credit Arrangements'.

The Productivity Commission's recent draft report on Australia's Export Credit Arrangements proposes a number of recommendations that would prevent EFIC from providing support for onshore resource projects and to larger companies like Santos Ltd (Santos).

Santos is one of the country's leading gas producers supplying Australian and Asian customers. With its origins in the Cooper Basin, Santos has been providing Australia with natural gas from the remote outback for more than 40 years. The company today is one of the largest producers of natural gas to the Australian domestic market, supplying 15% of the nation's gas needs. Santos has developed major oil and liquids businesses in Australia and built a strong and reliable production business in Indonesia. We are further developing our Asian business through development projects and exploration investment. Santos is listed on the ASX with a market capitalisation of approximately A\$13 billion. Nonetheless, the support of the Australian Government, through EFIC, is integral to Santos' ability to confidently make its most significant investments and continue to grow a strong Australian business.

The oil and gas sector in Australia is in the midst of a significant expansion phase which carries with it substantial financing requirements. There are a number of projects under development with a key project for Santos being the Gladstone LNG project in Queensland. This project has a long-term construction phase of more than 4 years and is supported by export off-take agreements for periods of up to 20 years. Project capital cost is US\$16 billion (estimated from final investment decision until the end of 2015, when the second train is expected to be ready for start up) of which Santos' share is US\$4.8 billion. This is the largest and most complex project undertaken by Santos and presents a considerable funding challenge in the Australian market.

EFIC's contribution was critical to the recent Santos US\$1.2 billion export credit agency financing to support the Gladstone LNG project. Although the level of EFIC support was below that provided by the other export credit agencies, the offshore agencies gained considerable comfort from EFIC's participation in the funding, its understanding of Santos' business and knowledge of the Australian market. It is unlikely that the offshore export credit agencies would have participated in the facility in the absence of EFIC's support.

The scale of the Gladstone LNG project and the requirement that all participants share the risk also dictates that funding must be raised from multiple sources. In this market environment, EFIC and offshore export credit agencies play an important role in providing funding (whether directly or through provision of guarantees) particularly during a period when access to financing has been difficult and a number of market participants have been withdrawing. EFIC and the offshore ECA's participation in the financing enabled funding to be sourced at a tenor not available in the Australian market and which better matched the long term life of the underlying assets.

Through a supportive investment climate, demonstrated by EFIC's financial assistance and engagement with offshore export credit agencies, Santos has been able to make investments here in Australia which will directly create 5,000 new jobs during construction and 1,000 new jobs for the expected 30 year operation of Santos' GLNG project. The multiplier benefit for the local, state and national economies is significant in terms of additional jobs and investment, tax revenues and stronger communities.

Implementation of the recommendations contained in the draft report to preclude EFIC from providing support for onshore resource projects and to larger companies would impose significant constraints on Santos' ability to fund growth projects and more broadly the energy and resources sector's ability to finance the project development pipeline. While Santos is impacted under such a scenario we believe that the broader Australian community would also be impacted by constraining EFIC's ability to provide assistance.

Yours faithfully

Andrew Seaton
Chief Financial Officer