



MEO Australia

energy for the future

SEAAOC Conference

Darwin, 23rd September 2010

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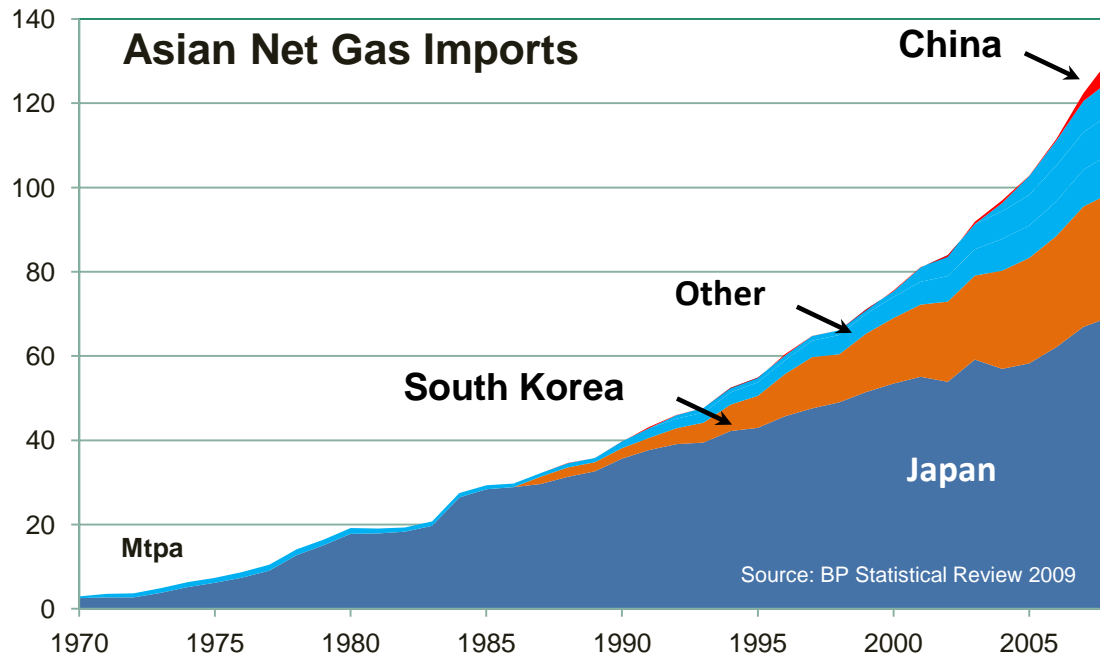
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LNG demand – strong historical growth

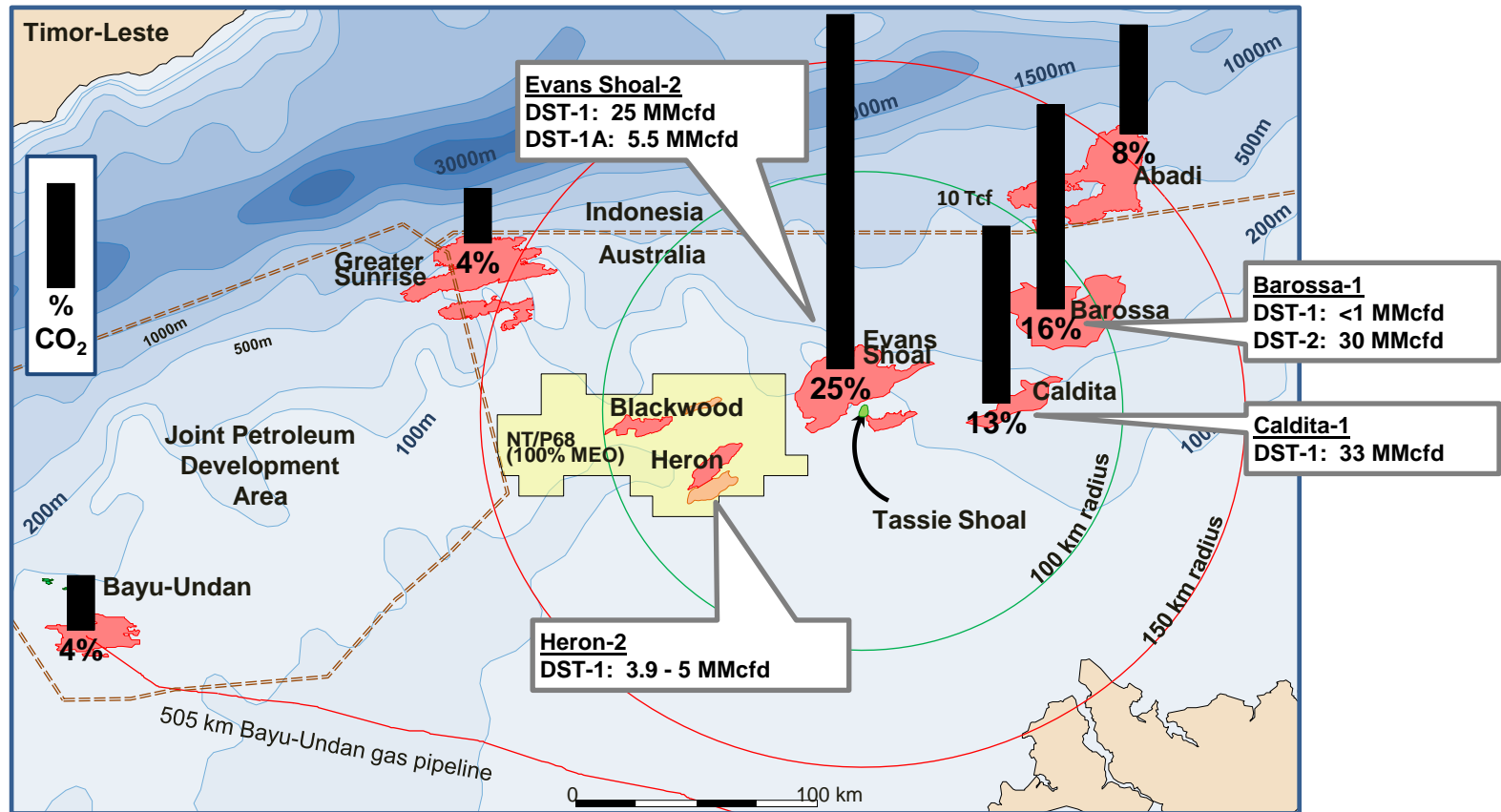
Most forecasts suggest tripling by 2030



- Market has evolved from
 - Niche fuel
 - Predominantly Japanese customer base
 - To environmental fuel of choice with a broad customer base
- Global market means only projects with most robust economics get sanctioned

~25 Tcf of regional gas remains undeveloped

Best quality resource is in production, remaining resources challenged

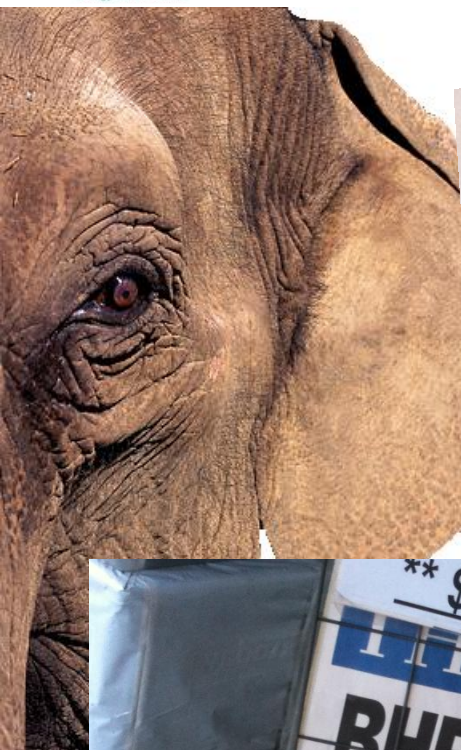


Impediments to economic development:

- Gas quality – low liquids & high CO₂ content
- Uncertain resource size & long term reservoir performance issues
- Capital cost uncertainty & technology (FLNG) risks
- Remoteness & geopolitical issues

Cost of Carbon?

A major challenge for undeveloped gas resources



FINANCIAL REVIEW

FRIDAY 17 SEPTEMBER 2010 www.afr.com Price \$3.00 (incl GST)

■ Welcomes BHP proposal ■ Business remains cautious ■ Labor, Greens plan strategy

Gillard opens way on carbon tax

Sophie Morris, Sue Mitchell and Paul Garvey

The federal government has opened the way to introducing a carbon tax as it begins talks with the Greens about reducing emissions, prompting the opposition to claim it was backflipping on its pre-election promise to reject a new tax.

NEW CLIMATE

'Suddenly, it is business, and not just any business, that is pushing the Gillard government to embrace a carbon price.' Laura Tingle, page 13

over a push by BHP Billiton chief executive Marius Kloppers for Australia to act early to price carbon through a tax and a limited trading scheme or risk being at a competitive disadvantage when the rest of the world acts.

- ▶ WA gas shortages, page 10
- ▶ New AGL Energy head, page 54
- ▶ China LNG deal, page 54
- ▶ Editorial: energy costs, page 66

sibility of business people joining the climate change committee that the government is setting up with the Greens and other MPs to discuss putting a price on carbon. Greens deputy leader Christine Milne said yesterday she expected that business leaders would want to have their say.

Leading economist and Reserve Bank board member Warwick McKibbin also nominated himself to join that committee, declaring that his hybrid model – involving a fixed price, in effect a carbon tax, that could transition to a trading scheme – provided the best way forward.

Days before the election, Prime Minister Julia Gillard vowed "there will be no carbon tax" under a Labor government, but yesterday she said it would be simplistic to rule it out and

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NEW

www.afr.com Price \$3.00 (incl GST)

roadband

have to rely on terrestrial broadband services for three years. NBN Co told the government the difficulty of establishing boundaries between fibre wireless and satellite networks would make it hard to

Continued page 13



Business needs certainty ■ US fears push gold to record

BHP call for climate action

Compensate exporters ■ Business needs certainty

Kloppers: act now ■ **Compensate exporters** ■ **Business needs certainty**

US fears push gold to record

Philip Baker and Pip Freshair

Concerns that the US Federal Reserve may be close to implementing another round of unconventional policy to bolster the world's largest economy after the Australian dollar to a lifeline gold prices to record levels and the Australian dollar to a two-year high as traders dumped the ailing US dollar. Economists believe waning growth and the threat of a double-dip recession may prompt the US central bank to implement more "quantitative easing" underpinned by purchases of Treasury bonds worth \$1.668 trillion to \$US1 trillion (\$1.068 trillion) to lower borrowing costs and fears that additional bond purchases will hurt the greenback and push gold to a record start of a 15-year high bid.

precious metals attracted nervous traders. The Australian dollar benefited from the falling US dollar with the currency rising to US\$1.574, the highest since start of the year. The Japanese yen rose to a 15-year high bid.

Markets: cooling in bubble

HEATING UP

Calls for BHP Billiton and AGL Energy to set up joint venture of an emissions trading scheme contrast with the views of other Australian executives.

- ▶ Lateral may cross floor, page 6
- ▶ BHP/AGL joint venture, page 7
- ▶ China's decarbonizing future, page 65
- ▶ Centricities, back page

Continued page 6

BHP's Marius Kloppers says Australia should act on climate change ahead of any global agreement. PHOTO: ANDREW QUAY

for example for stationary electricity production only," Mr Kloppers said. Local action on climate change, including regulations and market-based measures, that was eventually "harnessed" into global action was more likely outcome.

Governments will need to take incremental steps that build upon each other to create a mosaic of initiatives that collectively achieve the goal, he said in an address to the British Chamber of Commerce in Sydney yesterday.

Mr Bradley also said yesterday it was inevitable there would be some multi-accepted stage be an ETS of some kind.

"Part of that [reducing emissions] will inevitably be the need for a market-based mechanism that will give us the carbon intensity of our industries. That market-based mechanism is

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HEATING UP

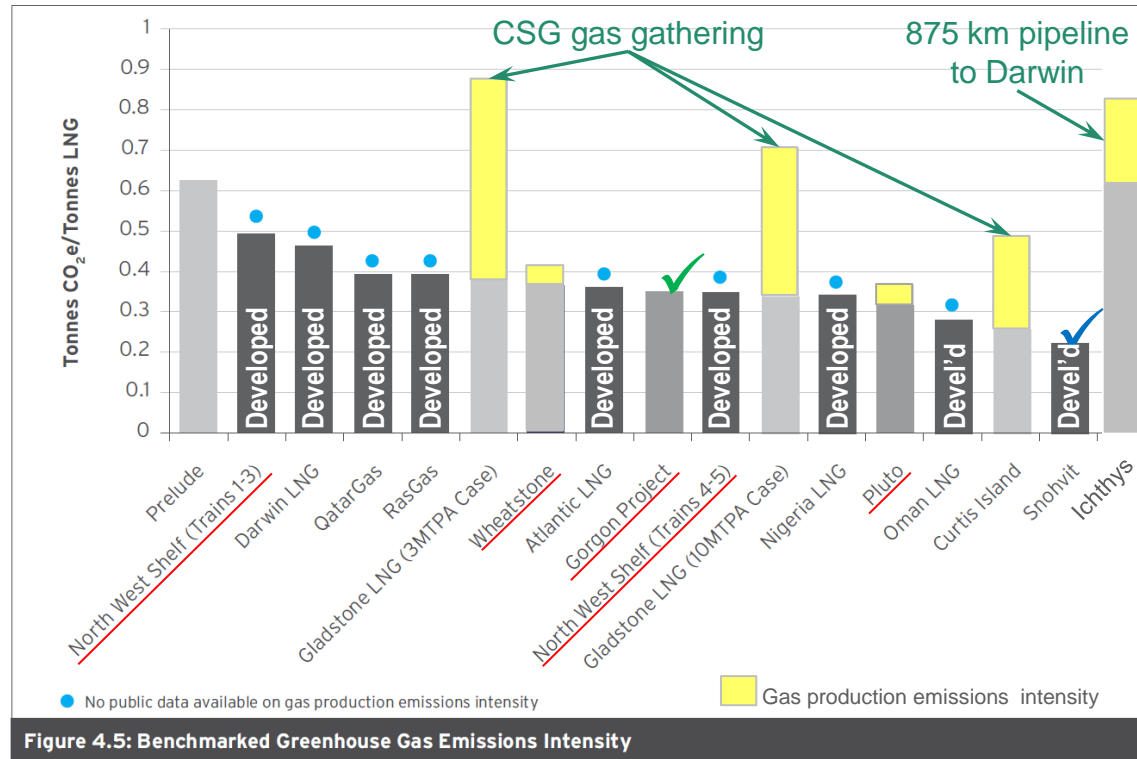
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CO₂ emissions intensity

Projects must deal with carbon to achieve Environmental Approvals

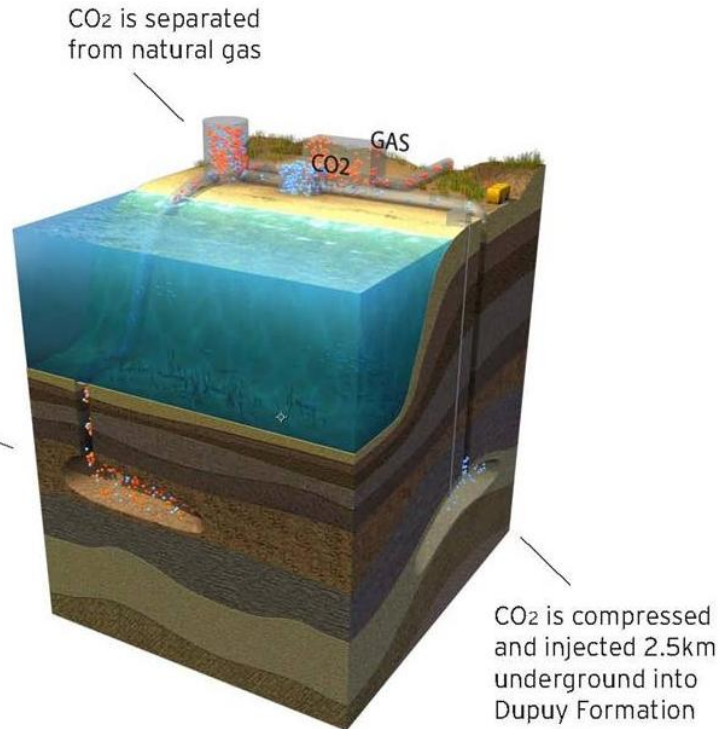


Drivers:

- CO₂ content in reservoir gas
 - LNG plant efficiency
 - Gas gathering/transportation
 - Geo-sequestration
- (Prelude vs Wheatstone)
 - (NWS trains 1-3 vs trains 4-5)
 - (Ichthys vs Prelude) (CSG gas gathering)
 - (Gorgon)

Geo-sequestration is an option

Substantial initial capital costs and long term monitoring required



- Substantial baseline and ongoing CO₂ monitoring program
- Economy of scale = large identified resources
- Gorgon Project – an example of CO₂ sequestration



Gorgon CO₂ Seismic Baseline Survey - 2009

Bio-sequestration is another

Emerging industries are building sequestration capability

Origin Energy & BG Tree planting



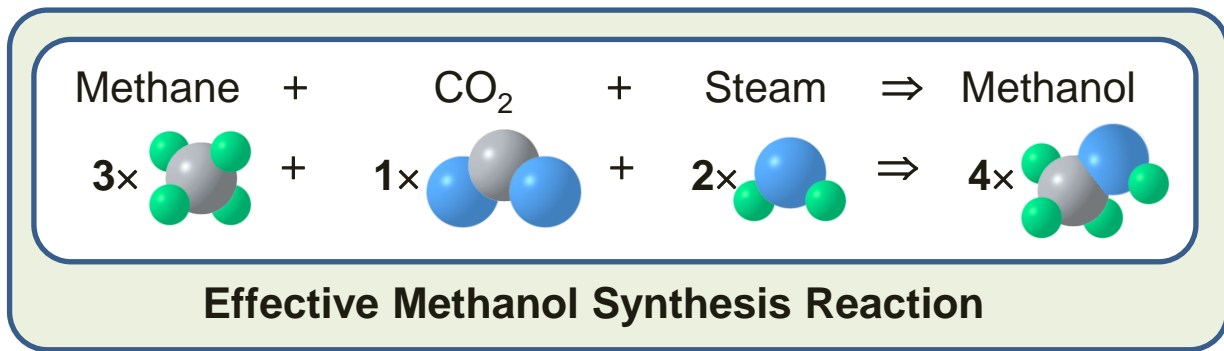
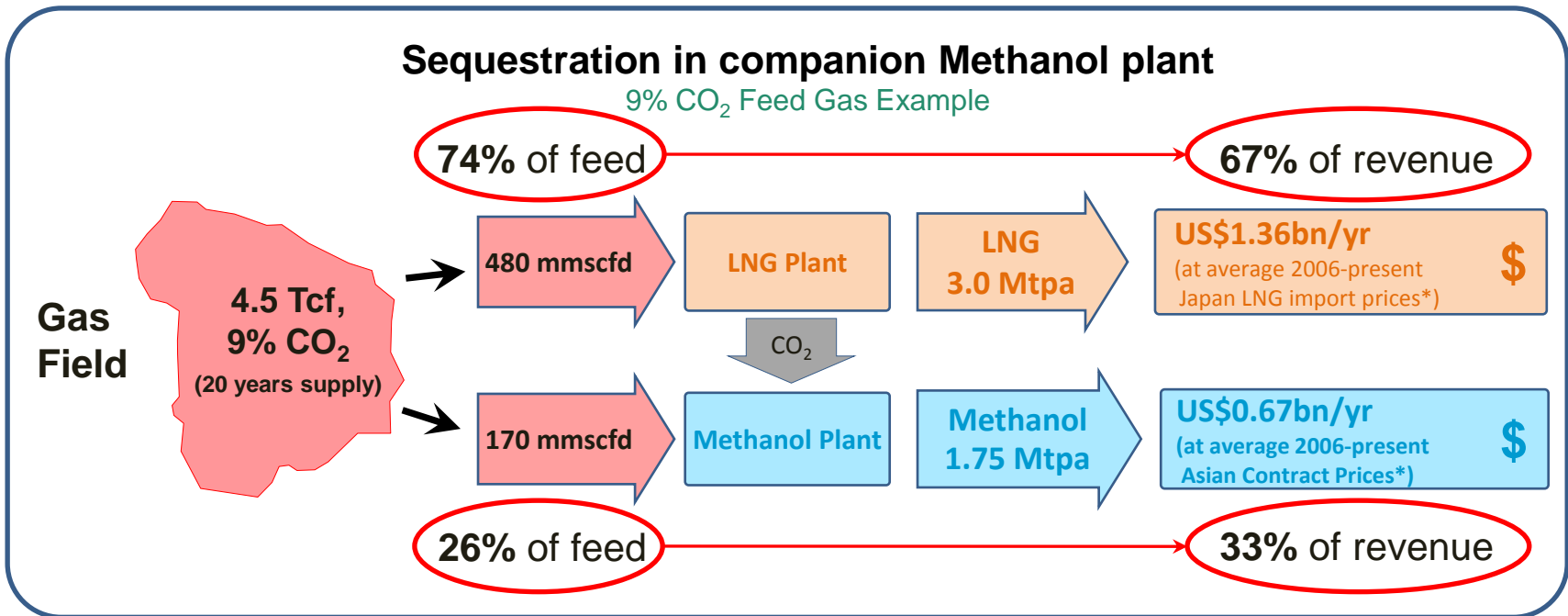
Algae Industry Pilot Plant






- Origin Energy and BG contract for tree planting
 - Cost of \$29 per tonne captured CO₂
- GLNG Irrigation Project
 - Combined saline water disposal and carbon sequestration
- Coal fired power stations seeking Algal solution
 - Targeting significant reduction in CO₂ emissions
 - Algal solution generates multiple revenue streams

Methanol production also sequesters CO₂

And can sanitise gas with moderate CO₂ content for LNG production



Legend

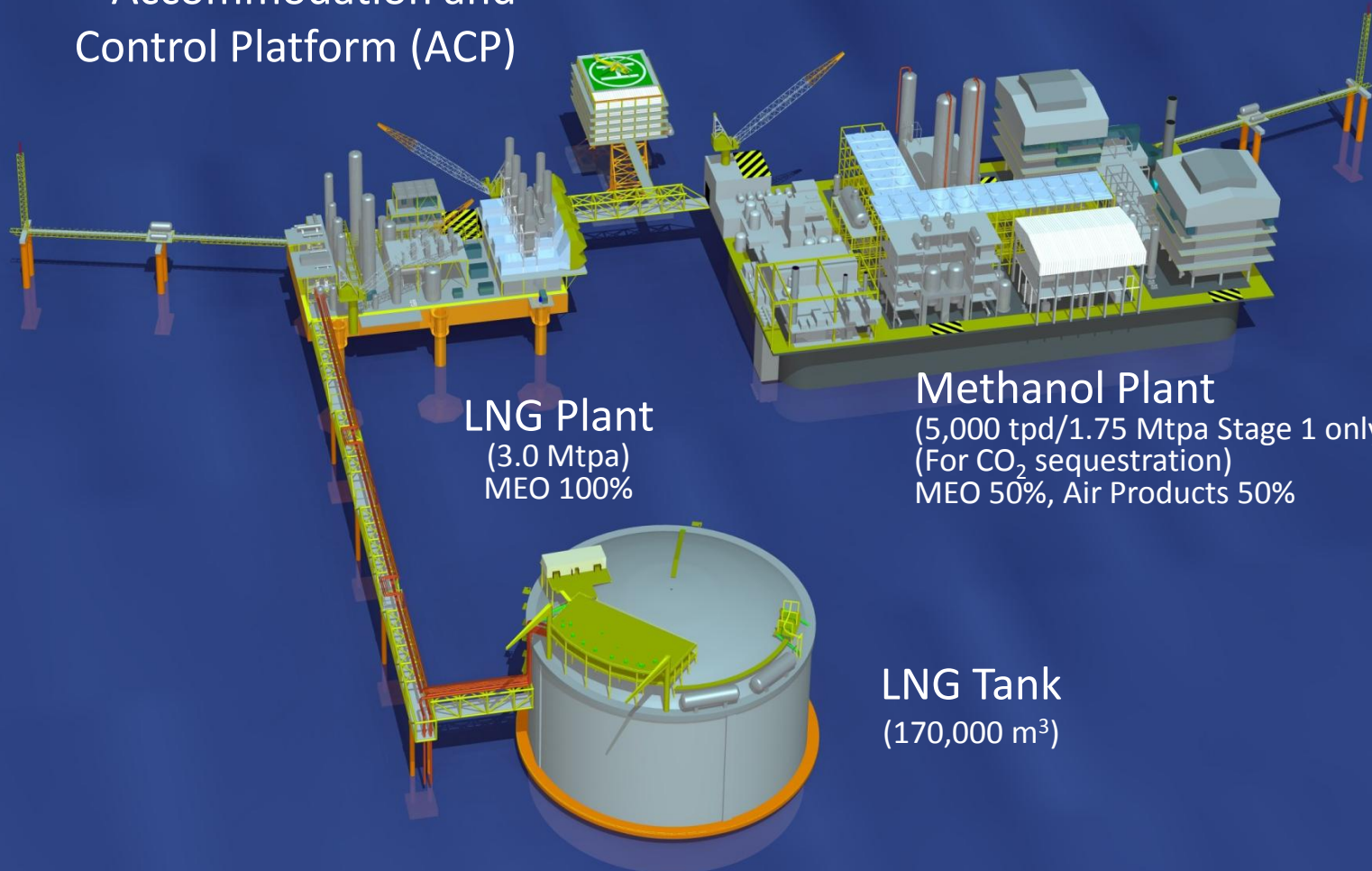
-  = Hydrogen
-  = Carbon
-  = Oxygen

* Source = World Bank and Methanex

Tassie Shoal Projects – an integrated approach

A modular hub ready for gas – with a wide quality tolerance range...

Accommodation and
Control Platform (ACP)



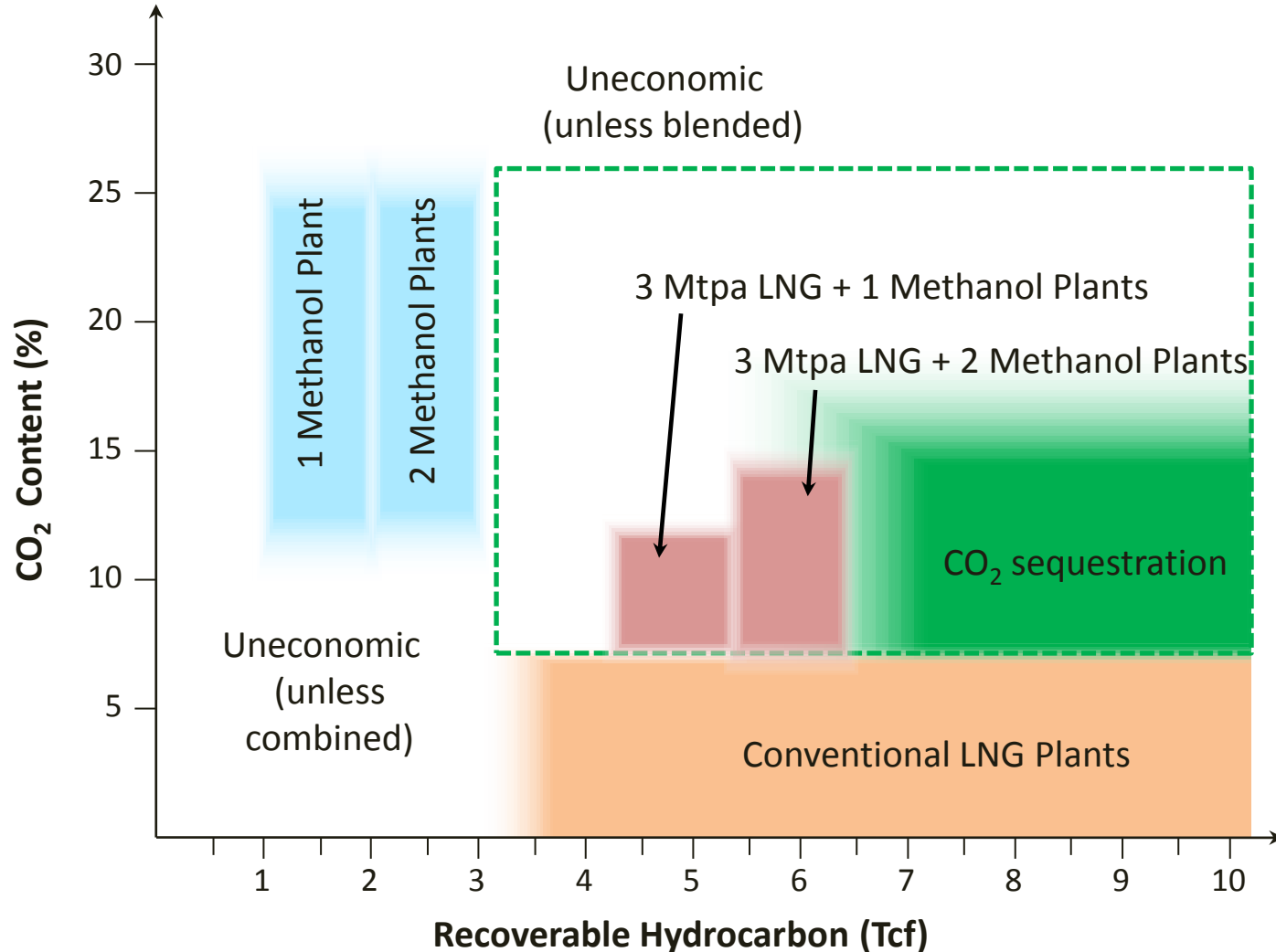
LNG Plant
(3.0 Mtpa)
MEO 100%

Methanol Plant
(5,000 tpd/1.75 Mtpa Stage 1 only)
(For CO₂ sequestration)
MEO 50%, Air Products 50%

LNG Tank
(170,000 m³)

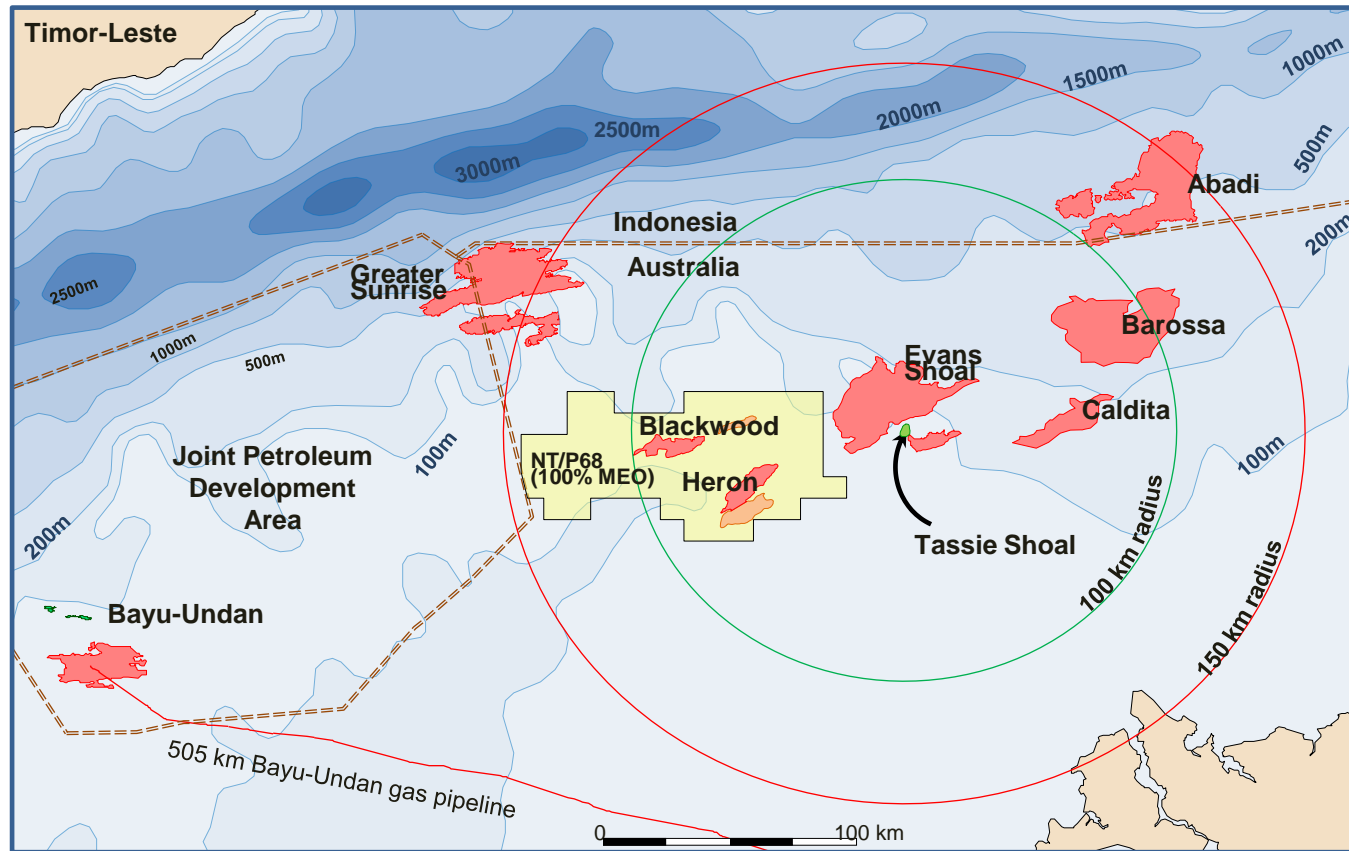
Methanol plant – de-risking reservoir uncertainty

Uses a fraction of the gas resource required for an LNG plant



~25 Tcf of gas seeking a regional solution

TSMP provide CO₂ solution to unlock regional value



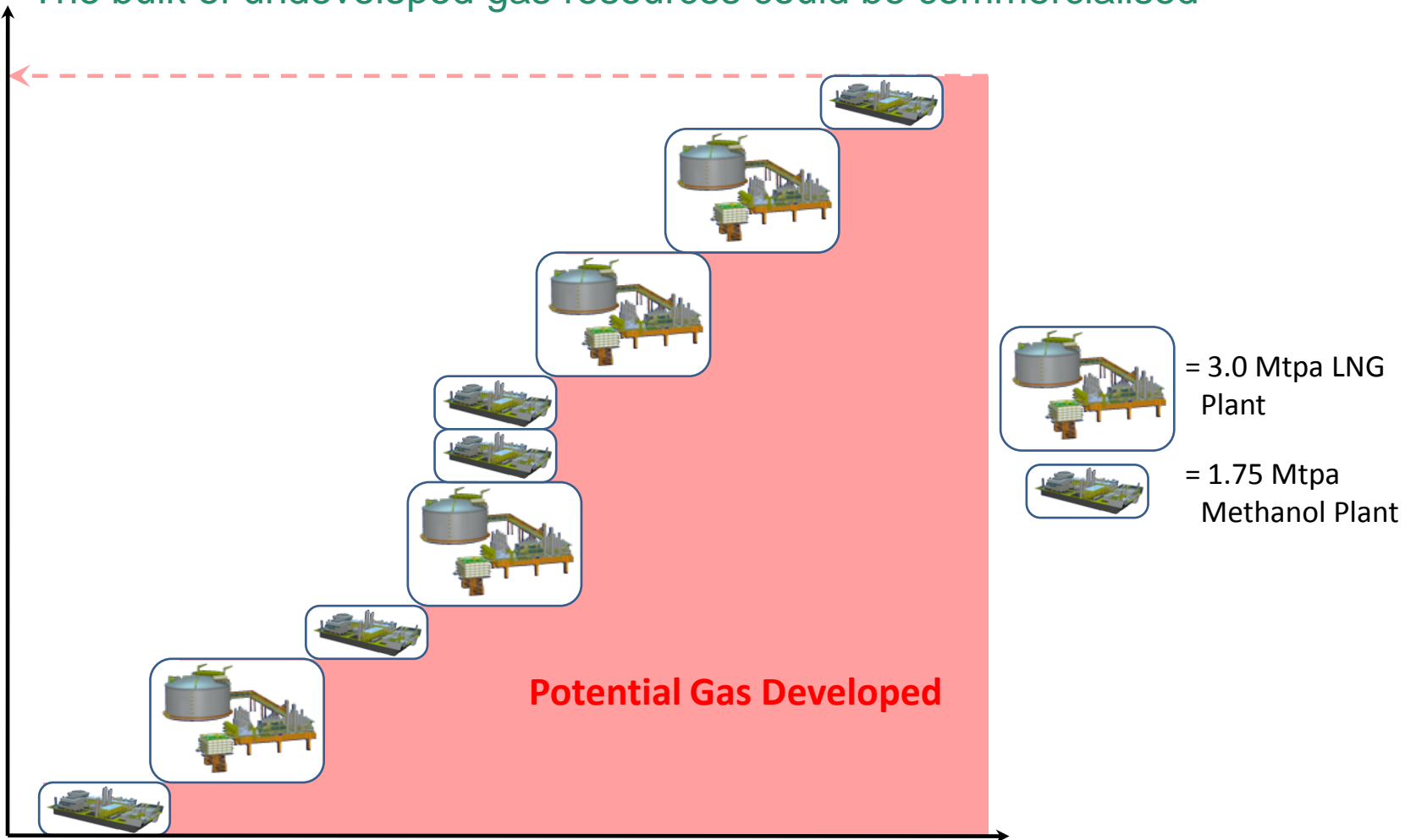
- Close to gas source
- Grounded in shallow water
- Modular construction
- Methanol
- Proven technology
- Mature design
- Environmental approvals

- reduces distance challenge
- removes movement challenge
- minimises development cost
- sequesters CO₂ cost effectively
- reduces implementation risk
- ready to proceed to FEED
- secured for 2x Methanol plants & 1x LNG plant

Implications of a regional solution

The bulk of undeveloped gas resources could be commercialised

>20 Tcf



- Sufficient undeveloped gas within 150km of Tassie Shoal to support at least:
 - 5 x 1.75 Mtpa Methanol Plants; &
 - 4 x 3.0 Mtpa LNG Plants

Tassie Shoal Methanol Project (TSMP)

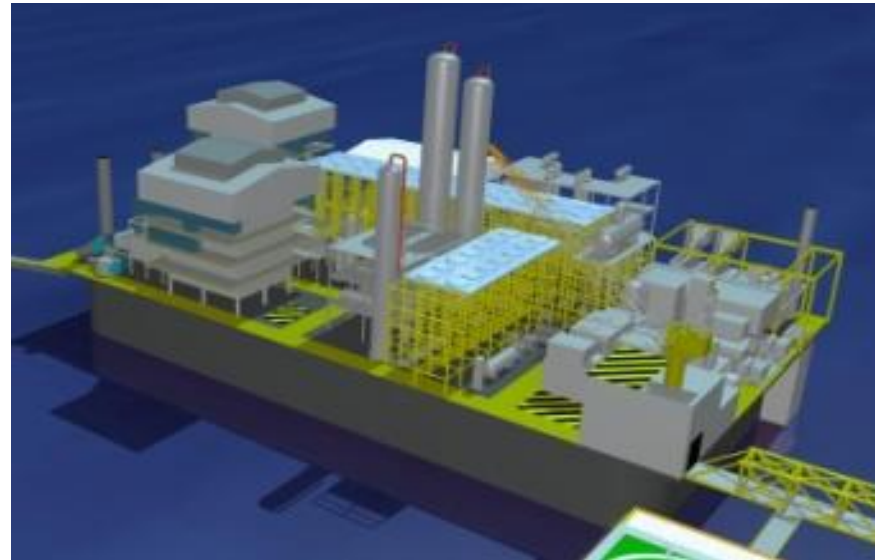
Brings the gas processing plant to gas field – eliminating long pipelines



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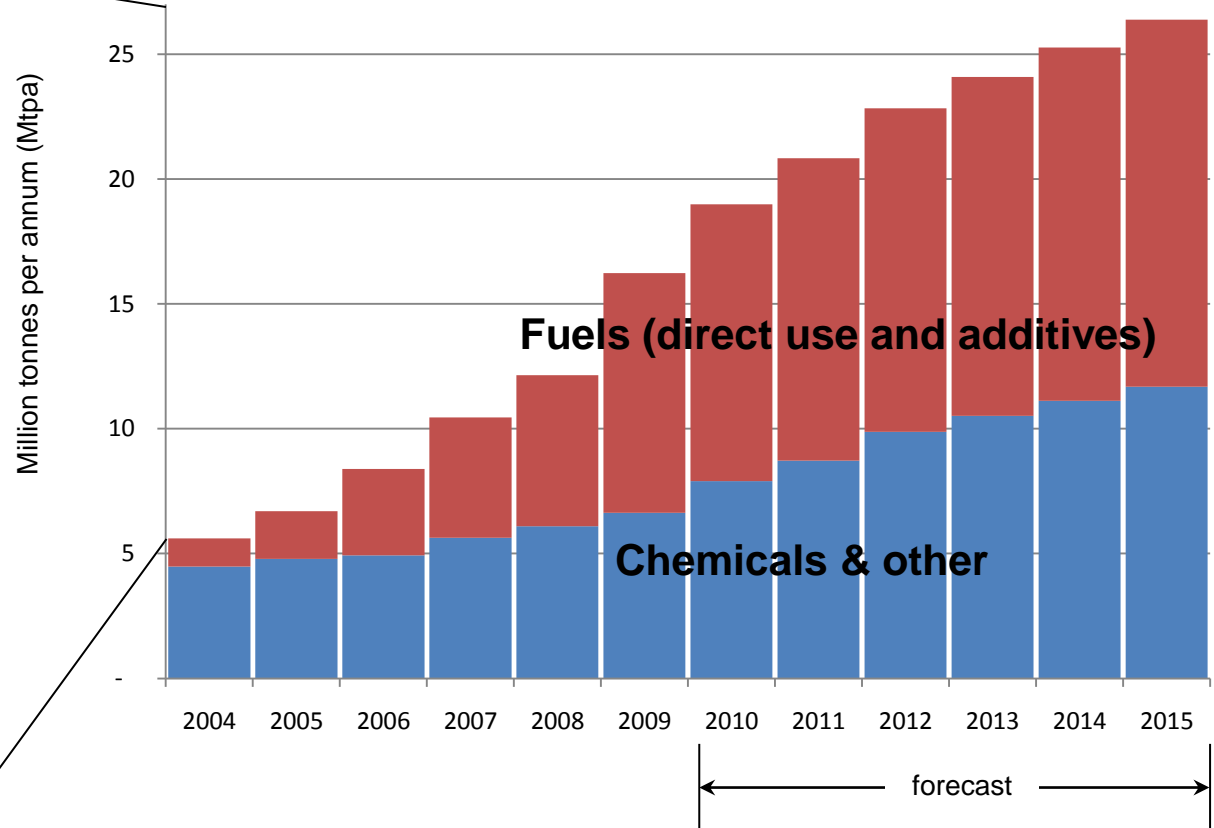
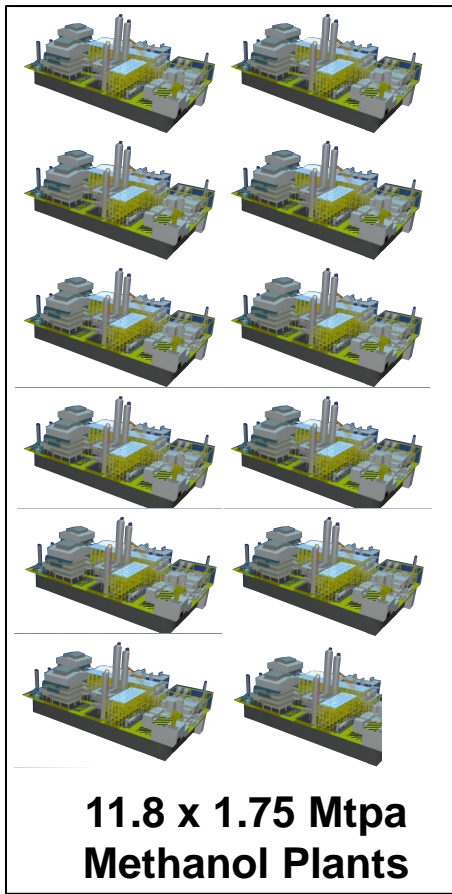


Methanol Plant on Concrete Gravity Structure (CGS)

- Off-the-shelf technology
- DPT, Arup & Aker Kvaerner designs
- Worlds scale 1.75 Mtpa (5,000 tpd)

Methanol Demand – China Only

High forecast demand growth



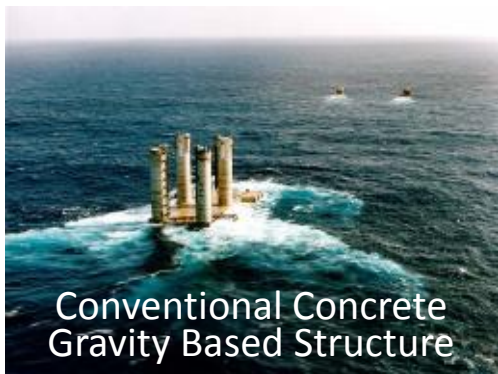
- Strong growth averages more than one 1.75 Mtpa plant every year
- Coal based methanol production is currently swing producer
- Coal based methanol production emits 1.7 x CO₂ of gas based plant

Timor Sea LNG Plant (TSLNGP) – no floating risks

“MEO plans smallest footprint 3.0 Mtpa LNG plant”

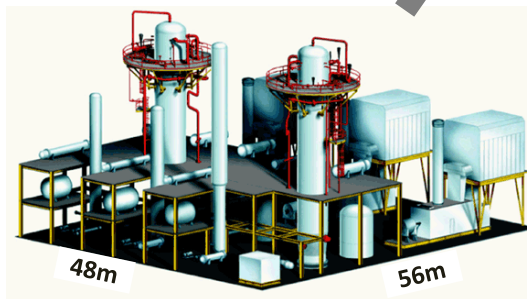
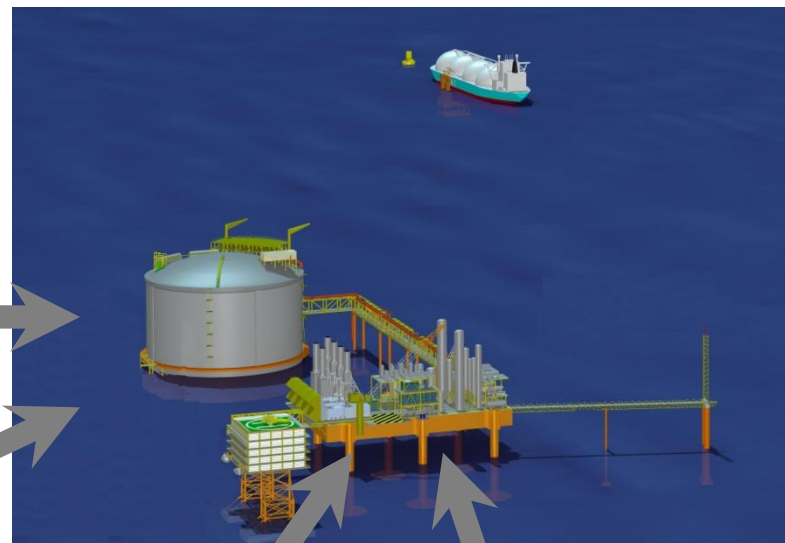


Conventional Concrete and Steel LNG Tanks

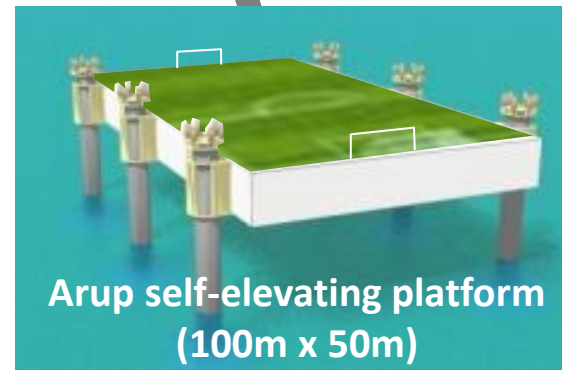


Conventional Concrete Gravity Based Structure

- One 3.0 Mtpa module
- 170,000 m³ LNG storage
- Arup, Air Products and Worley Parsons designs and costings



Air Products 3.0 Mtpa LNG Plant



Arup self-elevating platform (100m x 50m)

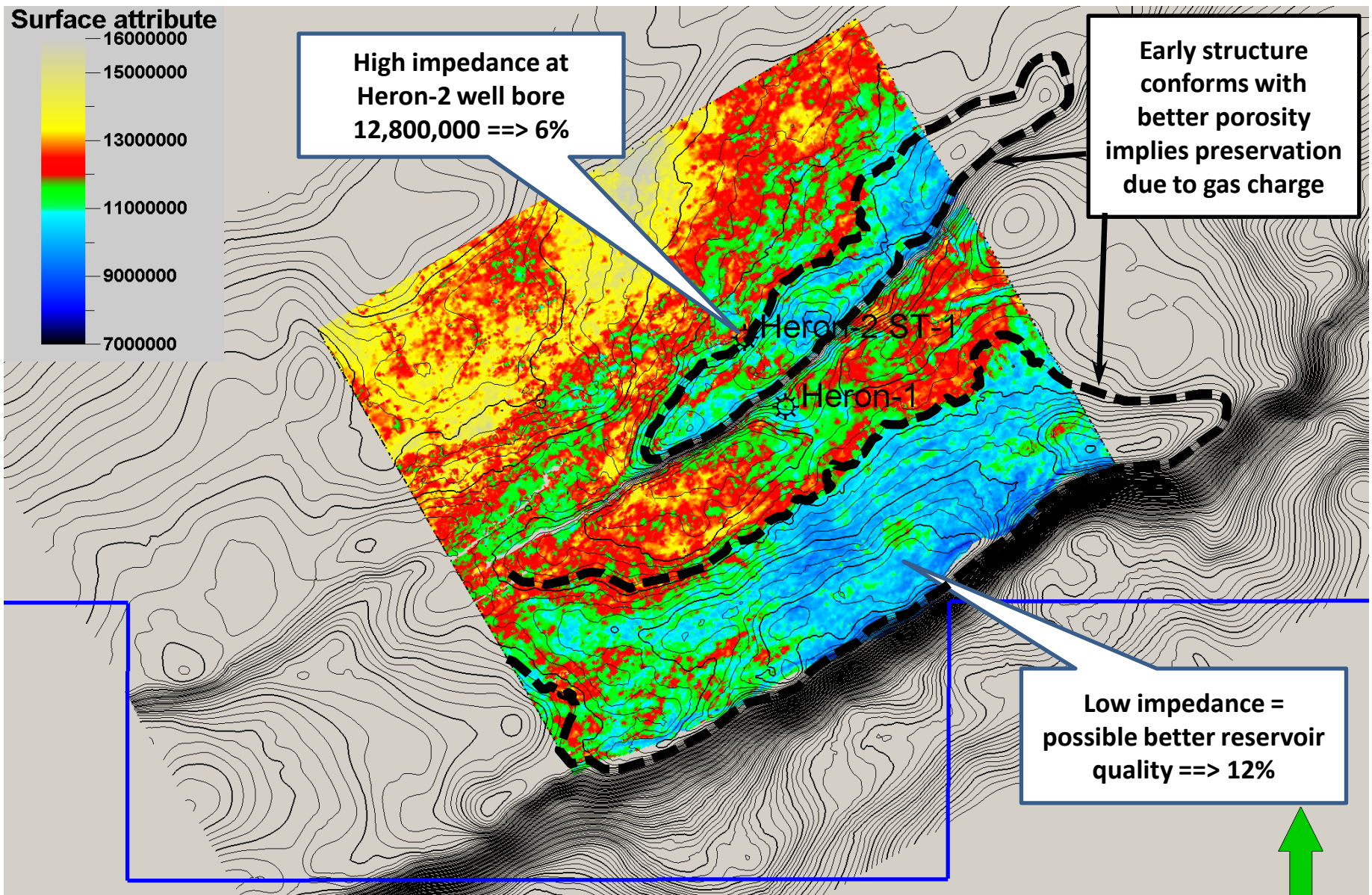
Prelude and Greater Sunrise FLNG

“Shell plans world’s biggest ship at Australian field”



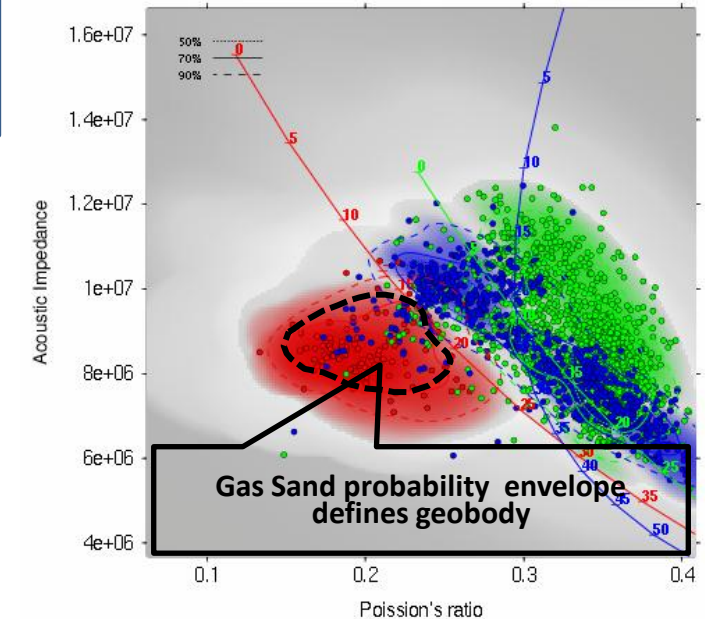
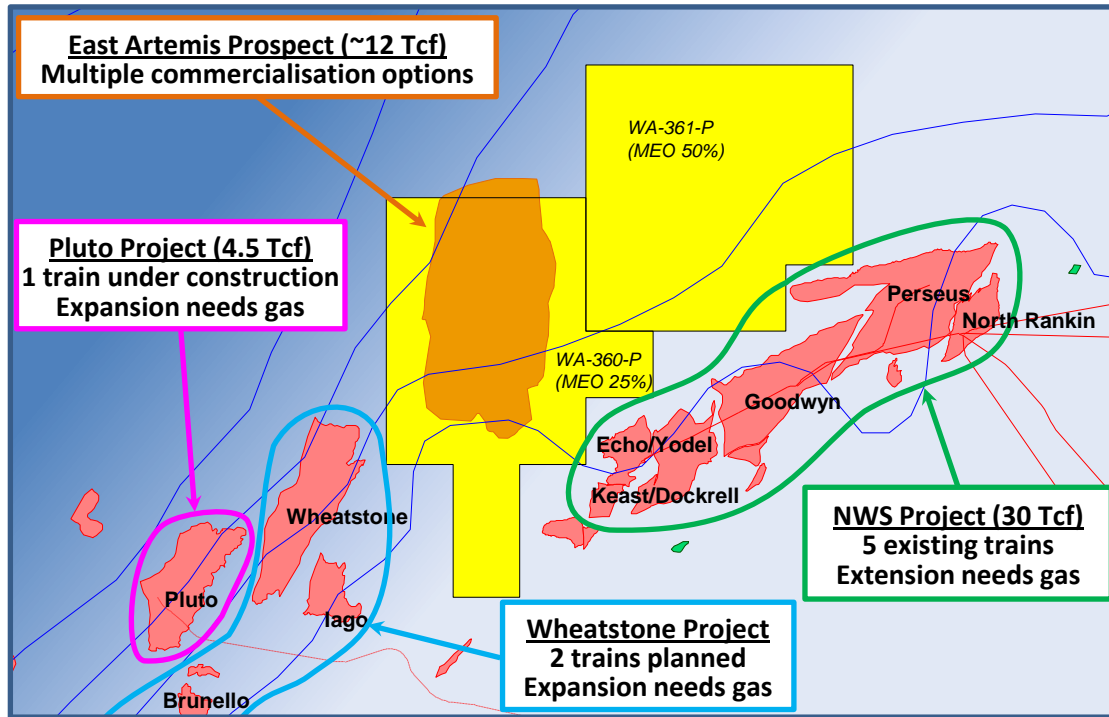
Heron gas discovery – potential LNG size field

Studies used acoustic impedance on 3D seismic to model porosity



Artemis-1: WA-360-P

“~12 Tcf prospect, strategically located near existing/planned LNG projects”



- Located at juncture of oldest & newest discovery trends
- 25% equity in ~12 Tcf prospect
- Nearby LNG projects hungry for gas to underpin expansion
- Full financial carry on 1st exploration well capped at US\$41m
- US\$31.5m cash bonus on success, plus
- Financial carry on 2 more wells (20% equity) to US\$62m cap/well
- All plans, contracts and approvals in place
- Rig handover from Shell expected early November
- Multiple LNG development options

Concluding remarks

The pieces are coming together...

- Proposed Tassie Shoal development hub
 - Robust economic solution for all undeveloped gas
 - TSMP sequesters CO₂ into methanol derivatives
 - LNG project approved for low CO₂ gas
- 100% equity in two NT/P68 gas discoveries
 - Seeking partner to appraise Heron discovery
 - Launching farmout early October
- Strategic offshore Carnarvon Basin acreage
 - 25% interest in ~12 Tcf Artemis prospect
 - Rig available November 2010
 - Multiple LNG development options

