

# Media Release

Oil Search seeking beneficial outcome with PPL for 40MW PNG Biomass and Solar Farm

27 May 2021

Oil Search confirms that the Company received a letter from PNG Power Limited (PPL) that could significantly impact the PNG Biomass Power Purchase Agreement (PPA) which was signed between both companies in December 2015. The Company has analysed the implications of the letter's unforeseen 'notice of termination' and is currently engaging with all key stakeholders including Markham landowners and development partners to assess the potential impact of a cancelled PPA.

The PNG Biomass project is aligned with the PNG Government's ambition to diversify the country's energy mix and complement the drive to create jobs and long-term opportunities for the people of PNG. The project will provide more than 500 direct jobs and stimulate many more across industries in the region. It also has the potential to make PNG a leader in renewable energy and enhance the country's reputation globally.

"For the power sector and the people of our country, it is important that we find a way forward to bring the project's low-cost reliable energy onto the Ramu Grid. We intend to work with PPL to find a resolution to move forward together. We are ready to build the power plant and solar farm. We have met all obligations in the PPA under our control in order to reach Financial Close and we have strong funding support from international agencies who recognise the social benefits of this project. We have a dedicated team ready to work with PPL to support them to meet their obligations. We are ready to be part of the power solution and the energy mix and help the country transition to 100% renewable by 2050," said Leon Buskens, Oil Search Country Manager.

PNG Biomass has enormous energy benefits for PNG. It will provide the Ramu grid with up to 40MW of renewable, clean, affordable and reliable energy, from biomass power generation and a solar farm. The project will help stabilise the Ramu Grid and reduce blackouts in Lae. In 2018, Oil Search lowered the project's power price significantly at the request of PPL. Ever since, the Company has continued to work closely with all stakeholders, including lenders, grant funders and contractors, to ensure an extremely competitive levelised cost of power that will result in material savings to PPL. In the process, Oil Search has attracted grants from the international community to the benefit of PPL worth over USD40 million (K140 million).

"This is a compelling project for reliable power generation and creates large financial savings for PPL. Our PNG Biomass project is an excellent example of sustainable development, attracting widespread interest and admiration from the international community. PNG Biomass is truly a world-class sustainable tree farming and energy operation. This is an outstanding opportunity for PNG to showcase what it can do on the global stage," adds Mr Buskens.

The local inclusive economic growth that can be generated with PNG Biomass is substantial. PNG Biomass has already invested K18 million into the communities in the Markham Valley in the form of land rentals, employment, labour, contracts, sponsorships and much more. Mutual trust and confidence with the landowners have been built over more than a decade. The outcome of this partnership is a leading-edge precision tree farming operation and a world class nursery employing state of the art monitoring, measurement and testing. A comprehensive baselined environmental management plan has been developed across all aspects including air and water quality, soils data as well as individual tree growth, leaf analysis and GPS area mapping. The automated seedling production system produces a consistent supply of high-quality fibre cell seedlings and is one of only a handful of such systems worldwide. Specialised planting techniques are employed for deeper soil cultivation, resulting in minimal soil erosion and disturbance.

“Hundreds of local communities, including many women and youth, are provided opportunities through our PNG Biomass project. Out of the 500 direct jobs we are creating, there are already 300 landowners and locals working. They are planting over 20 million trees on 16,000 hectares of low production grass land,” said Mr Buskens.

Oil Search confirms that the Company is committed to work with the PNG Government to provide sustainable opportunities that directly align with the government’s national development priorities in electrification, energy mix diversification, renewable energy, climate action under the Paris Agreement, reforestation, and sustainable inclusive economic growth. “We have designed this project to be part of powering PNG and empowering our rural communities. We remain optimistic and shovel-ready to deliver,” concludes Mr Buskens.

**Ends.**

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**Photos**



*PNG Biomass central nursery near 40 mile in the Markham Valley producing tree seedlings.*



*World class equipment and training is used by PNG Biomass at its central nursery.*



*State-of-the-art seedling production: Paper pots with coco-fibre are produced and placed into trays for precision-sowing with the automated seedling production system at PNG Biomass' central nursery.*

## **About Oil Search**

Oil Search is a responsible energy company, with a proud history and strong heritage, that contributes to a sustainable future. Established in 1929, the organisation's purpose is to deliver low cost, high value energy that meets society's needs, and its ambition is to be the preferred energy company for all stakeholders.

With activities well supported by a clear hierarchy for allocating capital, prioritising sustaining capital and a strong, flexible balance sheet, Oil Search is a safe, low-cost, reliable business with a clear path to future growth.

Recognised for its proven capability to operate in challenging environments, Oil Search has a world-class resource base and a strong track record of working with communities and stakeholders. Sustainability is embedded across the Company and it aspires to set the standard for sustainable development.