
ASX Announcement

PNG power project agreements signed

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Oil Search has signed two Power Purchase Agreements (PPAs), the Biomass Independent Power Producer (IPP) PPA and Highlands IPP PPA, with Government-owned PNG Power Limited (PPL), as part of a long-term strategy to develop solutions for PNG's power sector.

These agreements follow the upgrade and provision of diesel to PPL's power plant in Tari in April 2015, allowing the commencement of continuous 24-hour power generation in the town, and the signing of a statement of intent with PPL on the next phases of the Ramu Power Project (RPP) in September 2015. The RPP aims to provide up to 100 MW of additional electricity generating capacity in a phased rollout, enabling the connection of up to one million people to a larger and improved electricity grid by 2030.

Biomass Power

PNG Biomass IPP (Oil Search – 70%, Aligned Energy 30%) will use wood chips from new plantation trees grown and sustainably harvested in the Markham Valley, to provide low cost, reliable baseload biomass power for the Lae region. The PNG Biomass project is a result of several years of nursery research, plantation trials and engineering assessments, in cooperation with Markham Valley landowners, the PNG Forest Research Institute and PNG Forest Authority.

Under the PPA, PNG Biomass will deliver up to 30MW of biomass-fired base load power to the Ramu grid. The construction of an initial 15 MW unit is targeted to commence in late 2016, with the unit expected online in the second half of 2018. A second 15 MW unit is to be deployed, subject to agreement with PPL. PNG Biomass will deliver significant environmental, social and employment benefits as well as help to provide reliable power to both industries in Lae and, through connection to the Ramu grid, many thousands of households. Once established, the project is expected to create over 500 permanent full time jobs in the local area.

Highlands Power

Highlands IPP (Oil Search – 100%), has signed a PPA with PPL under which the Highlands IPP will construct an initial 2 MW gas-fired pilot power project located near Hides in the Hela Province, with potential to ramp up to 5 MW in the short-term and up to 65 MW by 2030. Subject to the execution of a binding gas supply agreement, the Highlands IPP will source gas from the Hides gas field and provide cost-effective baseload, peaking and backup power, primarily for households and social infrastructure in the Hela and Southern Highlands Provinces.

Oil Search and PPL are also working closely together to progress the next stage of development. This comprises the installation of a 45 kilometre transmission line from the Highlands IPP Complex (to be located

adjacent to the Oil Search Hides Gas-to-Electricity Plant) to the Tari Power Station and a rural connections rollout plan to households in the Hela and Southern Highlands Provinces, with a target of connecting more than 100,000 households by 2030.

Execution of the two PPAs is subject to the satisfaction of various conditions precedent, including approval by the PNG Government's National Executive Committee, expected in early 2016.

Commenting on the agreements, Peter Botten, Oil Search's Managing Director, said:

"We have been exploring the potential for the Markham Valley Biomass project and for cost effective gas fired generation in the Highlands for a number of years, as part of our commitment to work with PPL to provide household consumers and businesses with reliable electricity in PNG. The agreements announced today represent a tangible step forward in providing cost-effective, reliable and socially sustainable supplies of power to the country.

At the appropriate time, we anticipate farming down our interests in these power projects, which are both expected to achieve a commercial rate of return, to strategic and financial partners.

Our partnership with PPL in the Ramu Power Project is delivering long-term power solutions for PNG that will have a meaningful contribution to its citizens as well as help maintain a stable operating environment in the country."

PETER BOTTEN, CBE

Managing Director

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About Aligned Energy

Aligned Energy is focused on the selected application of sustainable production of biomass for biomass fuel production and integrated Independent Power Producer projects, where base load power can be economically provided in a way which creates benefits for the environment, engaged landowners and power consumers. For more detail, visit www.alignedenergy.net.