

## **FINAL Speech**

### **Decie Autin: Chamber of Mines and Petroleum Seminar, December 1**

#### Introduction/Acknowledgments

I want to thank the honourable delegates and the Chamber of Mines and Petroleum for giving me the opportunity to update you on the status of the PNG LNG Project.

We are now into the critical construction phase and I truly hope I can impress upon you how important the next few years are going to be for the Project and for Papua New Guinea.

I've been in this business long enough to be completely confident we will meet our goals of getting gas to our customers on time. But I don't think I have ever been on a project where how we get there has been more important than it is here.

My objective with this project is to show the world – particularly the investment world – what I know Papua New Guinea is capable of.

Make no mistake, this is like the 'Rugby World Cup' of Projects – and PNG LNG and the whole of Papua New Guinea is truly in the spotlight.

Before I get into the heart of my remarks, I would like to thank the Gov't of Papua New Guinea for all of their support. You have been an instrumental partner on so many fronts, and play such a critical role in the success of the Project. We look forward to continuing to work with you as we bring this Project online.

Let me briefly explain what's at stake by looking at this from the aspect of ExxonMobil's Global Energy Outlook.

Papua New Guinea is a resource rich nation in the fastest growing energy market in the world.

As economic development increases the world's need for energy, natural gas is expected to be the fastest-growing major fuel source. This is driven largely by its environmental and economic benefits.

From a regional perspective, gas demand in Asia Pacific is expected to grow faster than any other region...we're looking at about 4 percent per year.

At that rate, Asia Pacific will become the largest regional gas market in the world by 2015.

As the chart on the left illustrates, the need for increasing access to LNG in this market is undeniable.

To put this into perspective, we believe that the Asia Pacific demand for LNG will grow in just the next two decades by the equivalent of more than 10 PNG LNG Projects

But as this chart shows the global LNG trade is becoming increasingly fluid and today we are facing strong competition from within the region as well as across the world.

ExxonMobil has a long and successful track record of involvement in Asia Pacific. The PNG LNG Project is a key part of our strategy to grow and diversify our global gas business in both new and existing areas of operation.

It is important to ExxonMobil for a number of specific financial and operational reasons, including the fact it is close to key Asian gas customers.

The Project provides PNG with a tremendous opportunity to compete for an increased portion of this rapidly growing market.

This is why I say, how we achieve our goals is so important.

Gas projects are very capital intensive. Unlike most mining Projects we have to build vast infrastructure up front at great costs in the expectation that we will see a return on the investment over the life of the Project.

So in order to attract the huge capital investment required, and to gain the gas customers' confidence, we have to convince them that we can do this ... and we can do it on schedule, while delivering on our commitments in the areas of safety, health, environment and social management.

With the PNG LNG Project we have passed that hurdle now and we have to show our investors and customers that their confidence in us is well founded.

Reputation is everything in this business. With this Project we can help PNG to build a strong reputation.

Esso Highlands Limited is working proudly with our co-venturers, EPC contractors, the Government, landowners and the communities of PNG to deliver this Project on time while balancing economic growth, environmental protection and social development.

I truly believe that when we do that, when we achieve our goals, it will herald a new era for Papua New Guinea.

Now let me explain why this is, and how we are going so far.

When I first came to this Project in 2008 we were in the Front End Engineering and Design stage. We were faced with considerable challenges – we had rugged terrain,

particularly in the Highlands, difficult weather conditions and environment, remote locations, lack of infrastructure and services and requirements for a large workforce.

Well I can stand before you today and say I am really proud of what we have achieved in a few short years. And we couldn't have done it without with the tremendous support of the government and our communities.

ExxonMobil has a long history of successful management and execution of complex, integrated, large-scale projects. Costs of project components often fluctuate throughout the life of a project and these are being managing as part of our operatorship.

For example, since we made our final investment decision in December 2009 we have seen significant foreign exchange movement. The US dollar is substantially weaker and the bulk of our early work over the last two years has been non-US dollar-denominated expenditure.

Nevertheless we have laid the foundations for a successful construction phase on this project as well as foundations for future projects in PNG.

Our greatest asset in achieving this has been the people of PNG. Their enthusiasm and dedication, their eagerness to learn has been a bonus to our productivity.

As Project construction work increases our workforce has grown beyond 11,000. More than 7,200 of our workforce are Papua New Guineans. This number has significantly exceeded our expectations and is a mark of the quality of the talent pool we have drawn from.

Building the skills of the PNG workers through training is a key part of our National Content Plan. It is one of the most important opportunities we have to provide a lasting legacy for the country.

Across the project, there is a wide scope of training offered to enhance the skills and knowledge of the Papua New Guinean workforce for both their current roles and future employment opportunities.

Skilled workers are a much sought-after commodity, and as each aspect of our Project construction is completed we are releasing trained and experienced workers, ready for their next assignment.

Each day as I go to work I am mindful of just how much their future is in our hands. By "our" I mean the Project, the government and the communities in which we operate.

Because, as I said at the outset, how we are seen, given we are under such a global spotlight, will have a significant impact on how much investment capital comes to PNG in the future.

Also how the revenue generated by the Project is invested will be crucial to providing the economic growth and employment opportunities for the future.

It is a view I know is shared in the government and I was so pleased to see representatives of the PNG Government engaged in discussions with Australia. Establishment of offshore accounts to effectively and transparently manage their share of resource revenues via a Sovereign Wealth Fund is a very important initiative.

As a member and supporter of the Extractive Industries Transparency Initiative, we welcome the work being done in this area as an important step to ensuring that the value unlocked from gas resources results in economic growth, increased opportunities and a better standard of living for the Papua New Guinean citizens.

Another positive aspect of workers in PNG has been the enthusiasm of the PNG business community. Our Enterprise Centre, which aims to develop local businesses so they can support the project through commercial opportunities, has been in great demand.

It assisted more than 9,900 entrepreneurs in its first year.

The centre has over 1,300 companies registered on its PNG Supplier Database.

As the project gains momentum, we look for every opportunity to use local suppliers. So far more than 3.3 billion Kina (US\$1.5 billion) has been spent in Papua New Guinea on goods and services.

This brings me to another challenge for gas developments in the PNG highlands -- the rugged terrain. And I can tell you that our workforce is demonstrating how this challenge can be overcome.

We have completed the crucial Mubi River Bridge which connected the Southern Logistics Route. The onshore pipeline construction – including trenching, welding and lowering – is well underway. More than 87 percent of the 292-kilometre main pipeline route has been carefully surveyed. We have received all of the line pipe – all 40,000 sections of them. Nearly 100 kilometers have now been welded.

At Hides we have already completed phase one of the pioneer camp, which is now occupied. We have installed the waste management area and achieved a great milestone when we started the first HGCP foundation pile driving in October.

Fabrication of the first of our two drilling rigs has been completed and it is being mobilized.

We have also been working on construction along the Wellpad Access Road, having surveyed more than 8.5 kilometers of road.

Earthworks at the Komo Airstrip are also well underway. We have received some new equipment which is more conducive to the wet conditions we face at the site. We anticipate being cargo ready at year end of 2012 to carry heavy equipment up to the site.

Road repair work continued along the critical Highlands Highway. The Highway is a major logistics route supplying the construction and drilling activities in the Komo and Hides areas. We appreciate the hard work and dedication by the Department of Works in its efforts to keep vital infrastructure such as bridges, such as bridges along the Highlands Highway, open.

In late October we started laying the offshore pipeline from the Semac 1 vessel and currently have nearly 60 kilometers in place.

At the LNG Plant we continue to progress rapidly. More than 100 tonnes of structural steel has been erected on the Train 1 pipe racks, and we are on track to have half of the 100 concrete piles necessary for the marine jetty in place by year end.

We have come a long way and we remain on target to deliver first LNG as promised in 2014.

But I have to say, I know we can do better in terms of how we got here.

As I said earlier ExxonMobil has a long history of successful management and execution of complex, large-scale projects around the world.

When we went into FEED back in 2008 we were under no illusions about the road ahead.

We knew this was a big step up for PNG.

We knew it would be difficult and we knew there would be many differences of opinions along the way.

Different opinions are a vital part of any healthy relationship. It's through these that we grow – that's progress.

The fact is we are being judged by how we resolve these differences.

So frankly, I have been disappointed to see issues, almost completely unrelated to the Project itself, flaring up and disrupting our progress.

For example, we have seen an increase in security incidents along the Highlands Highway, that is affecting our ability to transport equipment and supplies via road. Damage to bridges and infrastructure is a serious issue.

Papua New Guinea's unique geographical, social and cultural characteristics have always presented issues and challenges for any business operating in the country. PNG LNG is the largest ever investment in the country and is a nation-changing opportunity. Unfortunately, the actions of a few present some significant challenges but we continue to persevere.

While we are managing these issues – and remain on track to deliver first gas in 2014 – PNG needs all Project stakeholders, the Project, its partners, Government, landowners, community, and suppliers, to work together to resolve these problems. Only by working together can we achieve our goal of Project start-up on time and generate the flow-on economic benefits for the country.

As I have already pointed out, this is like the 'Rugby World Cup' of Projects – and as a team we are only as good as our weakest player so we must ensure we are all on our game, aligned and pushing forward to reach our goal.

All the outstanding achievements we have seen from the project, from the government and from the people themselves will be squandered if we can't provide a safe, secure environment in which to live, work and do business.

When it comes to future investment potential, safety and security are the potential deal breakers.

We are not encountering opposition here. The fact is the communities and government remain very supportive and optimistic.

We wouldn't be here today without the strong grassroots support we have received from the communities in which we are operating.

We encourage continued cooperation between communities, the government and the project to constructively address issues as they arise. We have a formal process to manage these dialogues in a mature constructive way.

We are continuing to work to enhance community engagement with the goal of fostering understanding and cooperation on key interests.

So in conclusion, let me emphasise that the PNG LNG Project offers an exceptional opportunity to show the world – particularly the investment world – exactly what Papua New Guinea is capable of.

We are committed to managing the PNG LNG Project with a priority on social, environment, health and safety matters and with full consideration of the livelihoods and cultures of the local communities in the Project area.

We take our role as Operator very seriously and we encourage our contractors, communities and the government to continue to work with us to achieve our shared goals.

We are now into the critical ramp-up of our construction phase of this magnificent Project and we are acutely aware of the importance of how we achieve our objectives.

We have built an outstanding workforce, we have a supportive government and have the benefit of strong community support.

This is why I believe our success will herald a new era of development for this nation with all its beautiful countryside and diverse and unique cultures in the fastest growing natural gas market in the world.

Thank you for your attention.