
ASX Announcement

Oil Search enters FEED on Biomass Project in PNG

28 September 2016

Oil Search announces that it has entered Front End Engineering and Design (FEED) on the Markham Valley Biomass Project. The Project executed a 25-year Power Purchase Agreement (PPA) with PNG Power Limited (PPL) in December 2015. Under the PPA, the Project will use woodchips sourced primarily from new indigenous plantation trees grown in the Markham Valley, located approximately 55 kilometres north-west of Lae, Papua New Guinea, to generate up to 30 megawatts of renewable, biomass-fired, baseload power for the Ramu Power Grid, with deliveries commencing in 2019. The Project will comply with the certification requirements of the World Bank, Equator Principles and Forestry Stewardship Council.

The Markham Valley Biomass Project is 100% owned by Oil Search following its recent acquisition of Aligned Energy Limited's interests. FEED is targeted to be completed by mid-2017 and is expected to cost approximately US\$15 million (already included in Oil Search's existing 2016 capital cost guidance and 2017 budgets). FEED activities will focus on refining the technical and commercial aspects of the Project to support a Final Investment Decision, which is expected to be made before the end of 2017.

This Project is one element of Oil Search's new power business, which seeks to deliver scalable, reliable and competitively-priced power to domestic, commercial and industrial markets in PNG. Oil Search's power business aligns with the PNG Government's policy to rapidly and materially increase access to electricity within PNG.

Oil Search's Managing Director, Peter Botten, said:

"Entry into FEED for the Markham Valley Biomass Project highlights our commitment to supporting the Government's objective of delivering power solutions for the local market. In addition, the Project will provide significant long term opportunities for communities within the Project area. Oil Search is evaluating a range of other potential PNG-resourced energy solutions and is discussing partnering with key PNG energy companies to deliver alternative energy supplies and lower carbon power solutions for PNG."

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