

12 August 2008



Gorgon Project Update Speech
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Greater Gorgon Area

Gorgon's Time is Now!

Ladies and gentlemen.

Gorgon is no longer a project whose time will come – Gorgon is a project whose time is now.

Now more than ever the timing is right. We have a project that has the full commitment of the three joint venture partners – Chevron, the operator, ExxonMobil and Shell – and we also have a world crying out for natural gas, the cleanest of the fossil fuels.

And where better to source the supply from than the 40 trillion cubic feet of gas contained within the Greater Gorgon Area – gas located on the Asian Pacific doorstep, where strong economic growth is driving ever increasing demand for natural gas.

Gorgon has the potential to supply natural gas for the next 40 plus years. That is a lot of energy, capable of being supplied for a very long time.

As the operator, Chevron is working with focused determination to keep Gorgon moving forward to construction with the support of our very capable partners and the Western Australia and Australian governments. We have alignment in the JVP and are moving the project forward to a final investment decision (FID).

There is a real sense of energy flowing through the Gorgon Project participants and team and a determination to deliver on the development of this world-class resource.

The joint venture continues to ramp up the Gorgon team as we move forward with the approvals process for the third LNG train. We plan to recruit more than 1200 people. In fact, in the last few weeks we and our EPCs have advertised for more than 150 different positions.

We are also investing in a number of pre-FID commitments and building on our recent strategic moves to secure supply bases in Perth and Dampier to ensure we can be ready for an immediate and effective work start once relevant approvals are in place.

This alignment also gives us the ability to sign contracts valued at more than \$300 million and you will hear more about these upstream and downstream commitments in the near future. We will also be issuing further invitations to bid and contracts that will run into the billions of dollars.

The Gorgon Project has also recently requested tenders from a number of qualified suppliers for the provision of a range of services and equipment to support the development of the Gorgon Project. This includes pipeline and cable supply and installation as well as rock supply and installation.

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You will hear more on this shortly from our Project Director – Scott Young.

Economic benefits

Gorgon is officially the largest ever resource project undertaken in Australia.

Extensive economic modelling conducted by an independent third party – ACIL Tasman – has confirmed that the Gorgon Project is a mega project expected to create its own economic environment and significant life-of-project local content benefits.

Key economic findings by ACIL Tasman - based on the first 30 years of operation of a 15 million tonne per annum, three train development - include:

- Peak construction employment in Western Australia of around 6,000 with more than 3,500 direct and indirect jobs sustained throughout the life of the Gorgon Project
- The Net Present Value of Australia's Gross Domestic Product (GDP) will be boosted by A\$64.3 billion
- Locally purchased goods and services (local content) of A\$33 billion
- Government revenue of about A\$39.8 billion in today's dollars

From the perspective of local industry, I want to reiterate that second last point. More than A\$33 billion is expected to flow to Australian goods and services.

This, more than anything, signals that we all need to keep our eyes on the end game – and that isn't necessarily what opportunities are available at a final investment decision or the initial project construction – it's about making sure we get this mammoth project up and running for the benefit of all concerned.

AIP

As you will hear from my colleagues, the Gorgon Project is committed to providing full, fair and reasonable opportunity to Australian, regional and indigenous business.

This includes utilising:

- Industry Capability Network WA and the ProjectConnect website to fully assess and inform Australian industry
- ePilbara to provide a focus on Pilbara industry capability

In this regard the Project has recently:

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- Secured a supply base at Mermaid Marine's Dampier supply base which will enhance the capabilities of Western Australia's offshore marine support industries
- Signed an agreement with the Australian Marine Complex which will help establish the AMC as a logistics hub able to service the wider Western Australian oil and gas industry and future fabrication along the Kwinana strip
- Commenced a reassessment of Australian capability to fabricate pre assembled racks and pre assembled units for the project

This is just the beginning.

Domgas

Here at home, we are all well aware that Western Australia is a booming state seeking an increased security of energy supply and the Gorgon Project is going to play an important role supplying the future energy needs of the State.

However, to date the fields being considered for domestic gas development are typically further from the mainland, have poorer quality gas, have less associated liquids and in some cases are in deeper water than existing fields – all factors putting upward pressure on development costs. This means they are more difficult and costly to access.

It is well known that domestic gas prices need to rise to support these new developments. If customers support them, the developments will happen.

Domestic gas projects, such as what is planned for Gorgon, are also reliant on LNG projects to provide the scale necessary to be viable.

However, it is also a fact that lead times in the gas industry are long, often longer than those of our customers, and this can lead to frustration regarding the availability of gas in the timeframe desired.

It gives me great pleasure to use today's forum as a platform to confirm that we are planning to incorporate a domestic gas phase as part of our foundation project.

Under our State Agreement we were initially planning to submit a proposal for development of a 300 TJ/d domestic gas plant by 31 December 2010 but we now plan to accelerate this to coincide with our development proposals to Government for the LNG phase.

That means when we consider FID, we will consider FID for both LNG and domestic gas with the domestic gas plant ready for start-up to coincide at or around the commissioning of the Project's third LNG train.

Bringing on Gorgon's domestic gas phase earlier will increase the number of supply points for domestic gas into WA and has been welcomed by the State Government.

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Bringing a domestic gas phase forward also offers considerable scope for Australian industry participation – but more on this will be provided by Scott Young shortly.

Conclusion

Pace is building on this important project.

Gorgon received state and federal environmental approvals last year, the result of four years of collaboration with many local and global scientific experts, conservation groups and government agencies.

In December, the project endorsed a change in scope from two to three 5MTPA LNG trains and a Final Investment Decision is expected after approval has been provided by the State and Commonwealth for the Gorgon Project's third train proposal.

In a world desperately seeking secure and reliable energy supplies, the urgency of getting new supplies of natural gas to domestic and global markets is building.

We have our work cut out for us.

The development of Gorgon gas can help ensure economic growth and energy security for many decades.

Gorgon's time starts now – we hope you will join us on our journey.