GHG Emissions Reduction - Adopt Quantitative Goals
Oil Search Limited

"The Earth's climate has changed. The global average surface temperature has increased over the last century and many other associated changes have been observed. The available evidence implies that greenhouse gas emissions from human activities are the main cause. It is expected that, if greenhouse gas emissions continue at business-as-usual rates, global temperatures will further increase significantly over the coming century and beyond."[1]

There is growing international consensus regarding the need to regulate and price greenhouse gas emissions and there is a risk that significant costs will be imposed on emissions-intensive business operations.

A number of countries including the European Union countries have introduced emission trading schemes. It appears probable over the next decade, that many more countries will introduce some form of carbon emissions regulation or pricing.

The International Energy Agency has estimated that to stabilise the concentration of greenhouse gas emissions in the atmosphere at 450 parts per million the price of carbon emissions in industrialised countries will reach US$50 per tonne in 2020 rising to US$110 by 2030 (and US$65 per tonne in other major economies).[2] This level of concentration is consistent with limiting the increase in global temperatures to 2°C – a goal recognised under the Copenhagen Accord.[3]

Putting a price on carbon emissions will bring significant economic and financial benefit to most countries, industries and companies. However, some carbon intensive industries and companies may suffer significant losses.[4]

Analysis of the oil and gas sector by McKinsey & Co. and the UK Carbon Trust concluded that "Winning players can mitigate the value-at-risk by anticipating changes in demand and managing new capital expenditure correctly whilst investing to achieve below average carbon intensity in operations and diversifying. A failure to take these actions places significant value-at-risk" [circa 35%].[5]

Oil Search (our Company) currently reports its greenhouse gas emissions in graphical form in its 2009 annual report, allowing only an estimate of emissions. Its 2009 greenhouse gas emissions are estimated to be around 1,800,000 tonnes of carbon dioxide equivalent (CO2-e). In terms of carbon intensity (tonnes of carbon dioxide equivalent (CO2-e) per million of revenue) this estimate would place Oil Search well above the ASX 200 average. [6]

If this estimate is correct it means our Company may be highly exposed to carbon costs that are anticipated to be introduced both domestically and globally as governments seek to implement regulations to limit and reduce greenhouse gas emissions. The 2009 annual report also states 2009

CO2-e emissions fell by 15% on the previous year.[7] So the extent of our Company's exposure may be decreasing.

Disclosure of accurate and detailed information is becoming a pre-requisite for many investors in emissions-intensive industries as potential carbon liabilities have an increasing influence on company valuations. Institutional investors in particular are increasingly interested in integrating environmental, social and governance (ESG) research into their investment decisions with approximately half of the funds under management of Australian asset managers now falling under the United Nations' Principles for Responsible Investment (PRI, the Principles) commitments to ESG integration.[8] These investors are committed to seeking appropriate disclosure of ESG issues (such as the impact of carbon regulation and pricing) into company annual reports.

This shareholder resolution proposes our company set goals to reduce its carbon emissions footprint and that the board report to shareholders on our company's greenhouse gas emissions, reduction efforts and

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climate change related risk management using a standardised format such as that used by the Carbon Disclosure Project.

The Carbon Disclosure Project is an annual survey on behalf of 534 institutional investors holding US$64 trillion in assets under management – the largest coalition of institutional investors in the world. Our Company has previously been invited to participate in the Carbon Disclosure Project. The Carbon Disclosure Project website lists our Company as providing no response to the 2009 survey.

As a shareholder in Oil Search we are keen to ensure that our Company is positioned to prosper in the transition to a low-carbon economy. We invite all shareholders to vote in support of the following proposal.

This resolution has been lodged with the PRI Clearinghouse and the Interfaith Center on Corporate Responsibility.

RESOLUTION
"That, the shareholders propose that the Board of Directors:

a) adopt quantitative goals, based on current technologies, to reduce total greenhouse gas emissions from the Company's products and operations; and
b) report to shareholders as part of their 2012 Annual Report on our company's plans to achieve these goals and on our company wide policies and management systems utilised to manage the risks posed by both climate change and actions of governments to regulate or price greenhouse gas emissions. The Board's report to shareholders should omit proprietary information, be prepared at reasonable cost and use a standardised reporting protocol such as that used worldwide by the Carbon Disclosure Project (CDP) as a means to frame the report on our greenhouse gas emissions, reduction efforts and climate change related risk management."

1 The Science of Climate Change: Questions and Answers (Australian Academy of Science, August 2010)
2 World Energy Outlook 2009 (International Energy Agency, 2009)
3 Copenhagen Accord, 18 December 2009
4 Climate Change Justice, Posner, E. A. & Weisbach, D. (Princeton University Press, 2010) page 20 and Chapter 8.
5 Climate change – a business revolution? How tackling climate change could create or destroy company value, page 7 (Carbon Trust, 2008)
6 Oil Search Ltd Annual Report 2009, page 41. Also see VicSuper Carbon Count 2009, (VicSuper/Trucost 2009) for an estimate of the ASX 200 average carbon intensity in
2008.
7 Id at 41.
8 Responsible Investment 2009 (Responsible Investment Association Australasia, 2009)