Investor Briefing - Woodside Energy Group Ltd 2023 AGM

Director re-elections and 2022 climate report: analysis and recommendations

Gemma Yeates, Investor Relations Lead gemma.yeates@accr.org.au

Harriet Kater, Company Strategy Lead harriet.kater@accr.org.au

Dimitri LaFleur, Lead Climate Scientist dimitri.lafleur@accr.org.au

Alex Hillman, Lead Analyst alex.hillman@accr.org.au

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ACCR employee Alex Hillman contributed to this analysis and was previously employed by Woodside, including as Woodside's climate change advisor. Mr Hillman has ongoing contractual obligations not to disclose Woodside's sensitive information and in compliance with these obligations, all information included in this report, or used to develop the analysis, uses publicly accessible sources or disclosed assumptions.

Woodside Energy Group Ltd

Governance and directors

Woodside's Board has not sufficiently responded to material shareholder votes

Woodside's Board has not been responsive to material votes on climate change in 2020 and 2022.

This lack of responsiveness to shareholders raises governance concerns.

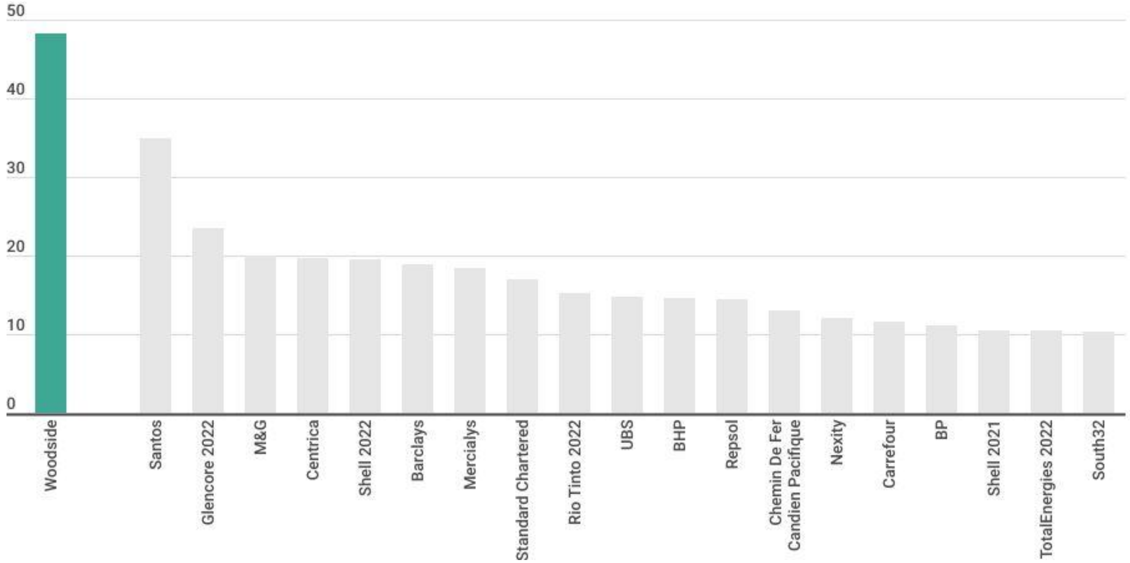
2020 AGM	2021 Climate Report	2022 AGM	2022 Climate Report
50% of shareholders supported an ACCR resolution. The resolution called for Paris-aligned climate targets, capital allocation and remuneration.	Not Paris-aligned. No scope 3 emission target. Over reliance on offsets to achieve scope 1 target. $5 billion 'new energy' capital target, significant share on grey hydrogen	49% of shareholders voted against Woodside's climate plan (Say on Climate vote). Chair stated that support for directors and BHP merger was a sufficient endorsement of company strategy.	No material changes to climate strategy. Chair acknowledged the lack of movement since 2021, saying: "our understanding and strategy remains consistent". Confirmed that shareholders will not have an opportunity to vote on the 2022 Climate Report.

Woodside's 2022 Say on Climate result
Record breaking poor performance

There have been 61 resolutions under the global Say on Climate initiative

Woodside's 2022 vote was the worst result of any of these

Say on Climate votes with >10% of votes against the resolution (% vote against the resolution)



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https://www.msci.com/research-and-insights/insights-gallery/shareholders-say-on-climate

“Much of this report is similar to our Climate Report 2021 because our understanding and strategy remains consistent”

Message from the Chair, 2022 Climate Report

Woodside 2022 Climate Report

The 2022 Climate Report presented an opportunity for Woodside to respond to investor concerns over the last three years, yet no substantive changes have been made.

Investor Concern	2021 Climate Report	2022 Climate Report	ACCR analysis	Resolved?
Shareholder responsiveness	Single Say on Climate vote. No commitment to future votes	No commitment to a second Say on Climate vote, or any other formal feedback mechanism	Climate change is a rapidly evolving issue, regular feedback mechanisms are needed	❌
Targets not science-based	Scope 1 equity: 15% net emissions reduction by 2025, 30% by 2030 Net zero aspiration for 2050	No change Same targets extended to BHP Petroleum assets	Company not decarbonising in line with stated commitment to Paris Agreement	❌
Over reliance on offsets	>100% reliance on offsets for Scope 1 target, when considering the expected growth in absolute emissions	Emission reduction opportunities expanded, but offsets still projected to deliver >100% of the 2030 net target	The 2022 report shows incremental progress, but still reflects an overwhelming reliance on the use of offsets	❌
Scope 3 targets	Nil Includes a $5bn capital target for 'new energy'	No change Dismisses the option of setting scope 3 targets as too hard - blames customer demand, with no recognition of factors in WDS' control. Only 2% of the new energy target has been spent	Scope 3 emissions are over 90% of Woodside's emissions. 'New energy' does not reduce scope 3 emissions, unless it displaces fossil fuel investment. Woodside is continuing to pursue fossil fuel expansion	❌

Members’ statements

ACCR co-filed members’ statements outlining governance concerns that arise from this lack of responsiveness

“Whilst Woodside is producing record returns in today’s high commodity price environment, these persistent investor concerns relate to how the company is positioning for value creation in the net zero economy”

Extract from members’ statement, co-filed by ACCR

Three directors are standing for re-election

Ian Macfarlane	Larry Archibald	Swee Chen Goh
		
Director and member of the Sustainability and Nominations Committees since 2016	Director and member of the Sustainability and Nominations Committees since 2017	Director and member of the Sustainability and Nominations Committee since 2020

Woodside directors share responsibility for the Board’s lack of responsiveness

- All Woodside directors share responsibility for the lack of responsiveness to investors’ climate concerns.
- The Sustainability Committee oversaw and reviewed the 2021 and 2022 Climate Change reports.
- The Board is not providing another Say on Climate vote which would allow investors a voice on climate at the 2023 AGM.
- In an effort to better understand how these directors viewed the investor concerns, ACCR requested to meet them. This request was declined by Woodside.
- ACCR co-filed members’ statements on each director under s.249P of the Corporations Act, outlining the governance concerns that arise from this lack of responsiveness.
- Woodside did not includes these statements in the notice of AGM, however did include a link to the statements on ACCR website.
- Having reviewed Woodside’s reasoning for not including the full statements in the notice of meeting, we remain confident we have met the requirements of the Corporations Act.
- Given the substance of the members’ statements concerns Woodside’s failure to respond to its own shareholders, we think it is notable the company elected to not publish the views of shareholders as articulated in the members’ statements.

ACCR voting intention: Against the re-election of existing directors

Recent board reshuffle is a missed opportunity to thrive through the energy transition

- On 8 March Woodside's Board appointed Mr Arnaud Breuillac to the board and recommended that Ms Angela Minas be elected at the 2023 AGM.
- The West Australian newspaper described these directors as 'like-for-like replacements from the offshore energy sector'.[1]
- Despite Woodside claiming that Mr Breuillac brings transition experience, he has a long oil and gas history, including as TotalEnergy's Exploration and Production President for the last 9 years.
- This is a wasted opportunity for Woodside to set itself up to thrive through the energy transition.
- Ian Macfarlane, Swee Chen Goh and Larry Archibald have been on the nominations committee for the their entire board tenure and share responsibility for these appointments.

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1. https://thewest.com.au/business/boards/woodside-energy-refreshes-board-with-two-new-appointments-c-9972221

Woodside Energy Group Ltd

Analysis of the 2022 Climate Report

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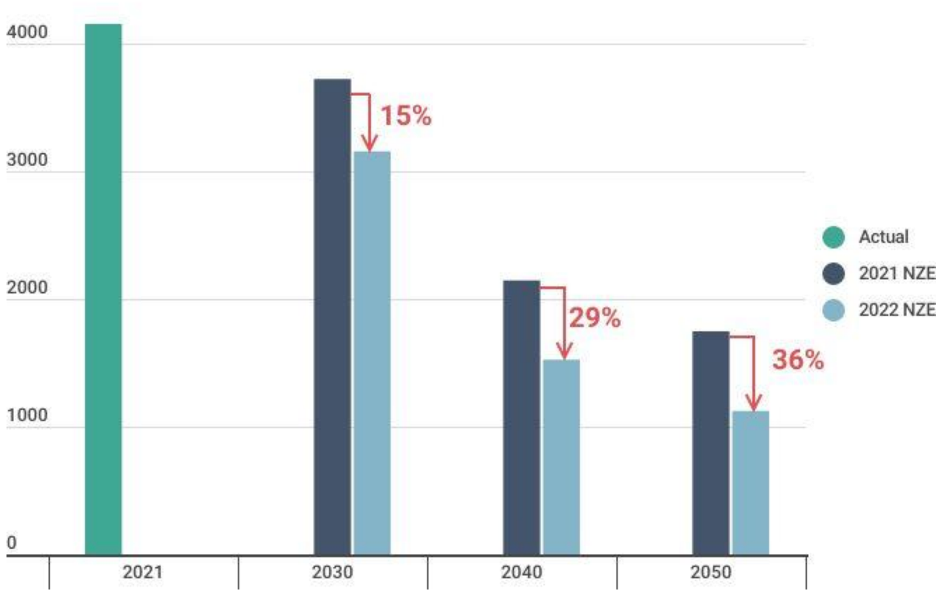
Future gas demand - Woodside v. IEA NZE

- Woodside attempts to discredit the International Energy Agency's Net Zero Emission (NZE) scenario as "a path, not necessarily the path" to achieve a 1.5°C climate outcome.
- It refers extensively to "P3" - one of four indicative pathways presented in a 2019 IPCC report - to show that gas use can increase within a 1.5°C scenario.
- The IPCC collates peer-reviewed scenarios that meet a certain climate objective. They do not represent statements on feasibility.
- The NZE on the other hand is the IEA's view of the "most technically feasible, cost-effective and socially acceptable" Paris-aligned scenario.
- 2019 IPCC scenarios do not incorporate the long-term demand destruction for gas that the Ukraine war has created. The 2022 NZE, for example, shows **even steeper** declines in LNG demand in the 2030s compared to last year's NZE.

NZE gas demand in 2021 and 2022 (bcm)



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Future gas demand - Woodside v. IEA NZE

Woodside: *The net zero scenario, it's one of many, – in fact 97 – that limit global warming to less than one and a half degrees.*

Macdonald-Smith: *It's not just one of 97 scenarios though, it's the IEA's!*

Woodside: *But even the IEA in that report says it's one of many.*

Extract from AFR interview between Angela Macdonald-Smith and Shaun Gregory, Head of New Energy, Woodside Energy Group


FINANCIAL REVIEW

Why under-pressure Woodside won't set scope 3 targets

Angela Macdonald-Smith
Senior resources writer

Woodside Energy is on the back foot on climate, suffering a record vote against its climate report last year and this month coming under fresh pressure on emissions from some shareholders.

In the hot seat, head of new energy Shaun Gregory explained to Carbon Challenge why Woodside won't set scope 3 emissions targets – for now at least, and how the International Energy Agency's much-quoted net zero

IEA: "*our Roadmap shows that there are still pathways to reach net zero by 2050. The one on which we focus is – in our analysis – the most technically feasible, cost-effective and socially acceptable*"

Net Zero by 2050, A roadmap for the global energy sector, 2021

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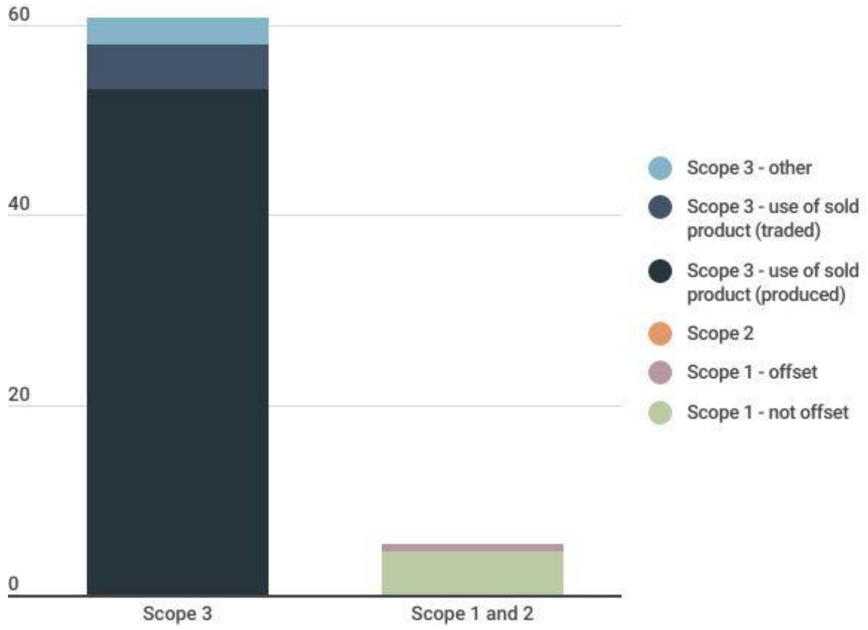
Scope 3 emissions

Vast majority of emissions with no sign of moderation

- 92% of Woodside's disclosed emissions are scope 3.
- For E&P companies, reducing scope 1 emissions does not change total emissions[1]. A scope 3 target is therefore necessary for a credible climate plan and Woodside does not have a scope 3 target.
- Any 'new energy' capex will not reduce scope 3 emissions, unless it displaces fossil fuels and Woodside does not show any sign of moderating fossil fuel growth.
- It is developing Browse, Calypso, Sunrise and Trion, which would collectively emit over 2 $GtCO_2e$.[2]
- It recently acquired Namibian acreage and is reportedly looking for growth opportunities in Mexico.

Woodside's 2022 emissions by scope and source ($MtCO_2e$ pa)



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Note 1: Because oil and gas facilities are powered by their own product, reducing this own use allows more product to be sold. So emissions just shift from scope 1 to scope 3; the total does not change.
Note 2: Emission estimate of Trion, Browse, Calypso and Sunrise, based on ACCR's Trion model, prorated using 2C resources. Calculated on an operated basis

Absence of scope 3 targets
Disingenuous reasoning and lagging peers

- Rather than respond to investor feedback by setting scope 3 targets, Woodside has dismissed setting absolute and intensity based scope 3 targets.
- Woodside also discussed a ‘supply chain target’, but supply chain emissions are not material.
- Peers have implemented targets based on each of these categories.

	Absolute target	**Intensity target**
Woodside perspective	“Woodside intends to supply the energy products that our customers need to secure their energy supplies as they reduce their emissions”.	“The pace of customer take up of the supply of new energy products and lower carbon services remains difficult to predict”.
ACCR perspective	• Woodside determines its scope 3 emissions when it decides which projects to develop. • Blaming consumers (colloquially known as the ‘drug dealers defence’) ignores the economic reality that supply impacts markets. • Woodside actively lobbies against the Paris Agreement and to maintain customer demand for oil and gas - it is not a passive recipient of fossil fuel demand. • It is disingenuous to say that energy demand is ‘difficult to predict’, forecasting energy demand is core business. • Absolute, Paris-aligned targets, that adjust for divestments and acquisitions, would be preferred. • Bottom line, Woodside has a strategy that is inconsistent with meaningful scope 3 targets.	
Companies with this type of target	bp, TotalEnergies	Chevron, bp, Shell, TotalEnergies, Equinor

Absence of scope 3 targets

Disingenuous reasoning and lagging peers

Macdonald-Smith: *So how are companies like Shell, BP and Equinor able to set scope 3 targets?*

Woodside: *I’m not familiar with how they’re justifying that.*

FINANCIAL REVIEW

Why under-pressure Woodside won’t set scope 3 targets

Angela Macdonald-Smith
Senior resources writer

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WDS $32.560

1 year 1 day

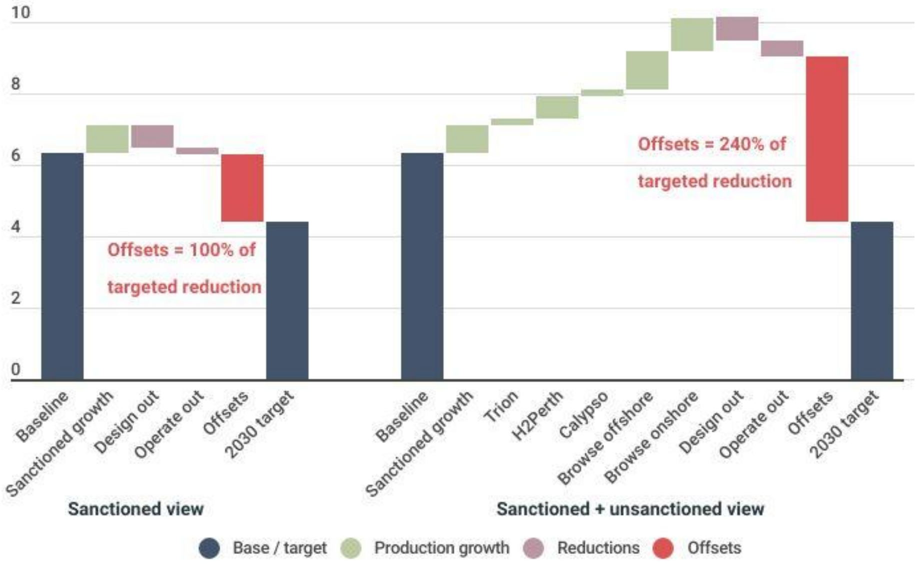
42.000

Extract from AFR interview between Angela Macdonald-Smith and Shaun Gregory, Head of New Energy, Woodside Energy Group

Scope 1 targets
Overly reliant on offsets

- Woodside's scope 1 and 2 targets continue to rely on offsets as the primary decarbonisation measure.
- The 2022 Climate Report says an additional 0.3 $MtCO_2e$ of unsanctioned operational reductions have been identified. This reflects ~5% of scope 1 emissions.
- When looking at sanctioned projects, emissions growth cancels out previously disclosed design and operational reductions. This leaves offsets to deliver ~100% of the total reduction.
- When considering unsanctioned impacts, emissions from production growth outweigh the new reductions. Offsets are required for 240% of the target. The additional operational reductions are immaterial.
- Changes to the Safeguard Mechanism may make parts of Woodside's international offset portfolio redundant.

Woodside's scope 1 impacts and mitigation ($MtCO_2e$ pa)



Assumptions:
1. Emissions estimates for unsanctioned projects. Trion: 2022 Investor Briefing Day. Browse: average offshore emissions disclosed in environmental approval documents; onshore 40% of NWS Extension proposal. H2Perth: media reports of fossil based H2 production assuming 100% efficient conversion of CH4 to H2, Calypso: notional amount for a single offshore facility and no liquefaction. Sunrise assumed to not proceed by 2030; but could be ~0.6 $MtCO_2e$ based on a Pluto analogue.
2. All design our and operate out reductions disclosed prior to 2022 Climate Report are assumed to be sanctioned.

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Scope 1 target

Woodside's emissions reductions lag LNG peers and the power generation sector

Whilst 92% of Woodside's emissions are scope 3, Woodside has also missed significant opportunities to reduce scope 1 emissions that LNG peers and other industries have implemented.

Relative to the electricity generation sector:

- Woodside has a large fleet of power generators it uses to provide baseload power for its oil and gas facilities. Most, if not all, are open cycle gas turbines (OCGT) which are cheaper to purchase, but less efficient and higher emissions.
- The electricity generation sector only uses open cycle gas turbines for 'peaking' power due to the inefficiencies. For baseload power, it uses closed cycle gas turbines (CCGT).

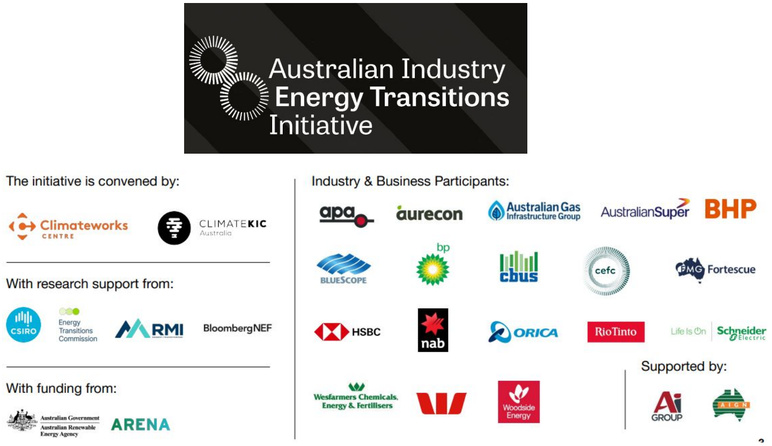
Relative to LNG peers:

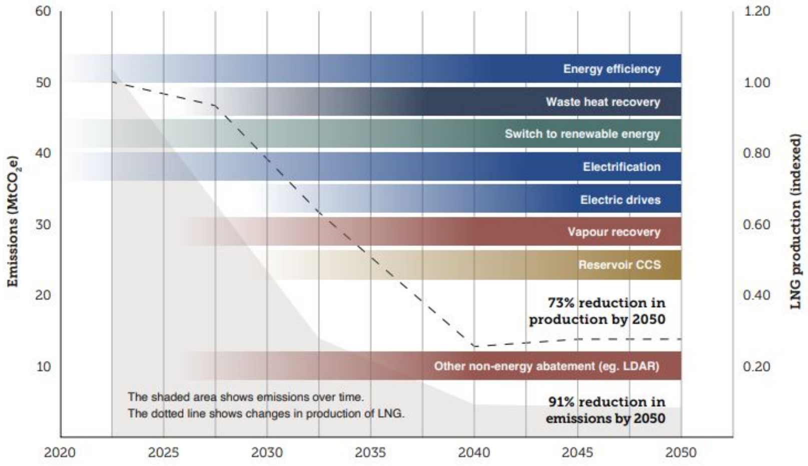
- The main source of emissions for LNG operations is running the liquefaction compressors.
- Woodside uses OCGTs, including for its Pluto 2 LNG facility currently under construction. These cannot feasibly be decarbonised later, without a major refurbishment.
- An alternative is to use electric motors, or e-drive, which can be powered by electricity - including renewable electricity. Norway's Snohvit facility uses e-drive. Freeport LNG in the USA is currently being built with e-drive and PNG LNG has recently announced FEED entry with an e-drive concept.

Scope 1 target

Woodside funded study showed 91% scope 1 reductions are possible

- The Australian Industry Energy Transitions Initiative assessed emissions reductions opportunities for Australia's heavy industry, including LNG.
- Partners included Woodside, CSIRO and AustralianSuper.
- The report identifies scope 1 emissions reductions for LNG of ~50% by 2030 and 91% by 2050[1] (~40% / 67% intensity reduction).



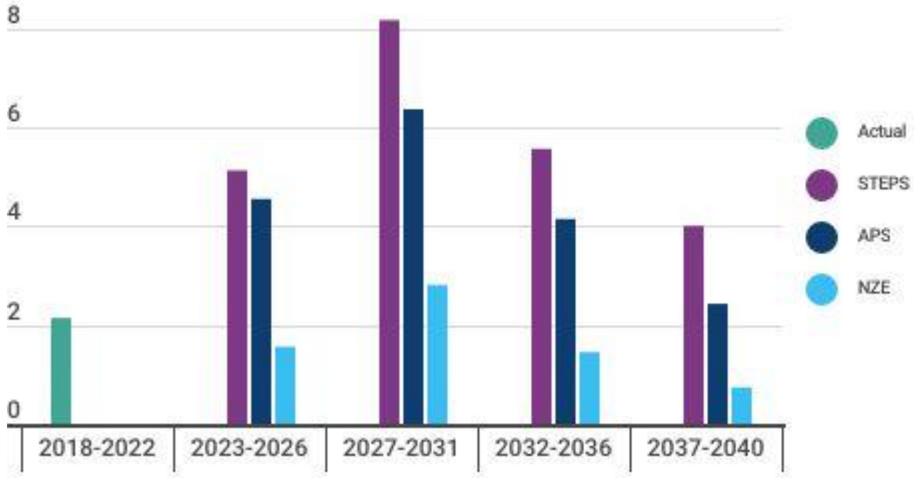


1. https://energytransitionsinitiative.org/wp-content/uploads/2023/02/Australian-ETI-Pathways-to-industrial-decarbonisation-February-2023-presentation-slides.pdf p28. Intensity impacts calculated by ACCR

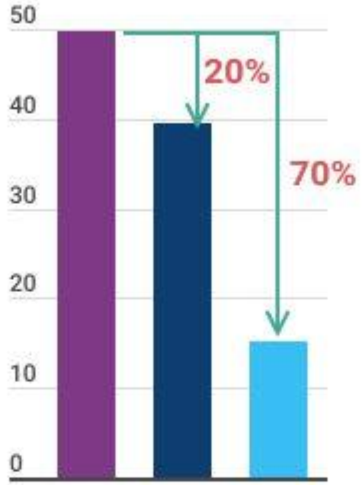
Scenario analysis
The sensitivity of Woodside's portfolio to climate scenarios

- Woodside's own analysis shows its portfolio is highly sensitive to climate scenarios.
- When converting from a time series of nominal free cash flows, into a present value of these free cash flows:
  - The Announced Pledges Scenario delivers 20% less value than the Stated Energy Policy scenario.
  - The IEA Net Zero Emissions scenario results in 70% less value.
- In its financial statements, Woodside has discussed how climate change has been considered, but has not disclosed quantitative sensitivities for its full portfolio.

Nominal free cash flow (USD billion)



Present value of future free cash flows (USD billion)



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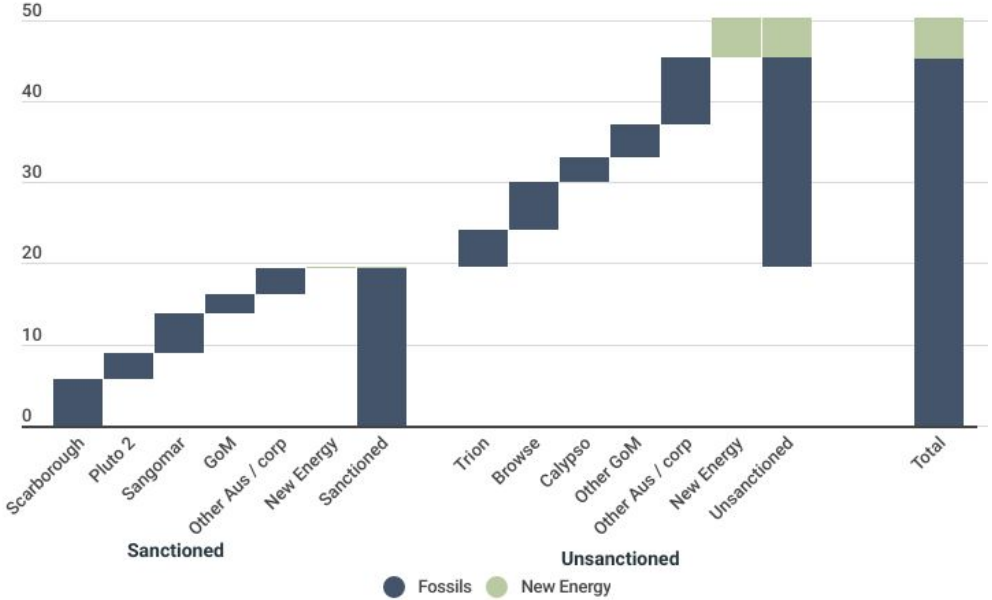
Free cash flow as disclosed by Woodside. Present value of future free cash flows, discounted at a notional 10%; does not include any residual value beyond 2040

New energy portfolio

An ineffective 'scope 3 strategy', not yet executed

- Woodside has set a $US5 billion 'new energy' capital allocation target, instead of a scope 3 target.
- New energy projects do not reduce emissions, unless they displace fossil fuels. Woodside is continuing to pursue fossil fuel expansion.
- Woodside has allocated <1% of committed or spent capex in the 2020s to 'new energy'.
- When including unsanctioned projects, 'new energy' reflects 10% of capex in the 2020s

Woodside sanctioned and unsanctioned Capex in the 2020s (USD billion)



Sources. Scarborough and Pluto 2: FID presentation, GoM: BHP/WDS merger presentation; Sanctioned Aus / corp: WDS annual guidance and BHP/WDS merger slides; New energy: 2022 Climate report; Trion: 2022 Investor Briefing Day; Browse and Sangomar: Independent Expert Report; Calypso and other GoM: BHP/WDS merger presentation; unsanctioned Other Aus / corp: extrapolated from sanctioned values. Sunrise excluded since no development concept has been disclosed. GoM = Gulf of Mexico and includes Shenzi, Mad Dog and Atlantis

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