

12 April 2023

Announcement to ASX  
ASX: PGY

## Mid West Clean Energy Project Status Update Safeguard reforms to accelerate emission reduction & confirm CCS business case

Pilot Energy Limited (**Pilot** or **the Company**) provides this update on the Mid West Clean Energy Project (**MWCEP** or **the Project**).

Pilot initiated the MWCEP to leverage the existing operational asset base (comprising the Cliff Head offshore oil production facility and onshore Arrowsmith separation plant) into the production of clean energy. The Project includes a fully integrated carbon capture & storage operation through the conversion of the operating Cliff Head offshore oil field (**CHCCS**) which will enable the production of blue hydrogen, green hydrogen, and ammonia.

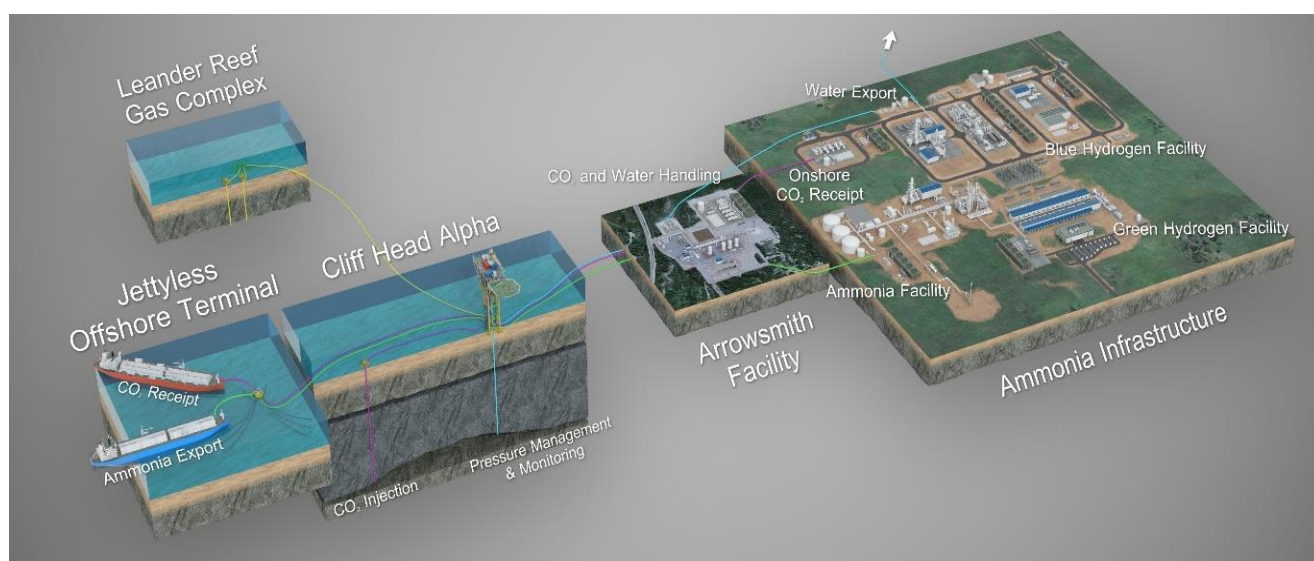


Figure 1. Pilot's MWCEP overview schematic

The Project team is now progressing the foundational elements of the Project, including obtaining key regulatory approvals and engineering for the CH CCS Project. Significant progress has been made with respect to engagement with potential partners and offtakers as detailed below.

The table below shows the status of the key activities currently in progress.

1. MWCEP Engineering	<ul style="list-style-type: none"> <li>• Owner’s engineer (Genesis Energies) progressing technology select studies and preparing for CCS FEED entry targeted for mid 2023</li> <li>• CO<sub>2</sub> and Ammonia shipping and terminal infrastructure options assessment complete and technology select study underway</li> <li>• Development cost update to include CO<sub>2</sub> injection via new wells and re-use existing wells for pressure management and monitoring</li> <li>• Blue Hydrogen pre-FEED workstream ~60% complete with key deliverables expected in early June 2023</li> </ul>
2. Regulatory approvals	<ul style="list-style-type: none"> <li>• The Nous Group<sup>1</sup> engaged to advise on optimal regulatory approval pathway for CCS and ammonia</li> <li>• Following the application to the Commonwealth offshore regulator NOPTA for the Declaration of Storage formation in November 2022, there continues to be active engagement with NOPTA in this regard.</li> <li>• Continued engagement with WA State &amp; Commonwealth governments including licensing arrangements to secure access rights for renewable energy investigations, consultation on WA draft CCS legislation and CO<sub>2</sub> related environmental approvals</li> </ul>
3. Project partnering & offtake	<ul style="list-style-type: none"> <li>• Formal 'Expressions of Interest' (EOI) process ongoing following extensive engagement and due diligence by several Australian and international parties to introduce strategic and financial partners and customers into the MWCEP. Interested parties include those with capacity to participate as a project partner, ammonia and or CO<sub>2</sub> storage offtake and to act as the project engineering, procurement, and construction contractor</li> <li>• EOI's with select participants to progress into formal Development Agreement(s) over coming months</li> </ul>

Table 1 MWCEP key activity status

### **“Safeguard Mechanism” reforms**

Outside of the progress of the MWCEP activities, but fundamental to the potential of and opportunities for, the Stage 1 CH CCS Project, are the recently legislated reforms to the “Safeguard Mechanism” which provide certainty for emissions intensive industries and the Safeguard Facilities<sup>2</sup> (specifically), as to the action they must take to reduce and/or abate emissions for Australia to meet its net zero targets. The reforms provide a clear business case and commercial incentive for these Safeguard Facilities and the industries with which they are associated, to accelerate investments to abate emissions.

This is where Pilot’s MWCEP provides the key.

<sup>1</sup> <https://nousgroup.com/>

If Safeguard Facilities elect to implement carbon capture and storage initiatives to reduce emissions, Pilot's CH CCS Project can provide these facilities, and other emitters, carbon management contracts for the required permanent storage of CO<sub>2</sub> at the CH CCS Project.

Under a carbon management contract, the CH CCS Project will enable the capture and permanent underground storage of direct (i.e. Scope 1) emissions for Safeguard Facilities. This will be fundamental to enabling Pilot's potential customers to implement emission reduction strategies to meet not just the greenhouse gas emission reduction obligations applicable to all Safeguard Facilities (commencing from 1 July 2023) to keep below the declining baseline imposed under the regulatory reforms ("**Safeguard Baseline**") *but also* to capture and permanently store up to 100% of its emissions. Further, for each tonne of Scope 1 emissions abated by a Safeguard Facility in excess of the Safeguard Baseline, a Safeguard Mechanism Credit (**SMC**) will be generated, which that entity can sell to other Safeguard Facilities.

Generating and selling SMC's is a significant revenue opportunity for the Safeguard Facilities and clearly demonstrates the value of assets like the CH CCS Project during the energy transition.

## ENDS

This announcement has been authorised for release to ASX by the Chairman, Brad Lingo and Managing Director, Tony Strasser.

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### Enquiries

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**About Pilot:** Pilot is a junior oil and gas exploration and production company that is pursuing the diversification and transition to the development of carbon management projects, production of hydrogen and clean ammonia (blue, green, and teal) for export to emerging APAC Clean Energy markets and integrated renewable energy. Pilot intends to leverage its existing oil and gas operations and infrastructure to cornerstone these developments. Pilot is proposing to develop Australia's first offshore CCS Project through the conversion of the Cliff Head Oil field and associated infrastructure from oil production to CCS as part of the Mid West Clean Energy Project.

Pilot holds a 21.25% interest in the Cliff Head Oil field and Cliff Head Infrastructure, and a 100% working interest in WA-481-P and EP416/480 exploration permits, located offshore and onshore Western Australia.