

# Taskforce on Climate-Related Financial Disclosures (TCFD) Statement

This section outlines the Cue Energy Resources approach to climate disclosure and managing climate risk.

It is structured inline with Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations, using its recommended headings:

- Governance
- Climate Change Statement
- Strategy
- Risk management
- Metrics and targets

## 1. Statement on climate change from the chief executive

Cue recognises the scientific consensus of climate change and that climate change will affect our community and environment.

Our world has begun a transition to a low carbon economy in which the responsibility of contributing to a low emissions world is shared by everyone, including our company. We all have a role in the transition into the energy future while we also ensure that our customers and the communities we serve enjoy access to reliable and secure energy at feasible prices.

Our climate strategy places us in the centre of this energy trilemma. Energy markets over the past year have illustrated the importance of addressing all aspects of the trilemma carefully and together.

In our Australian home, energy markets have been constrained, leading to higher prices, and pressure from regulators to maximise gas production. Gas will play a critical role in supporting renewables in the East Coast electricity market as coal fired generation is phased out, and offers one of the most important sources of emissions reductions in Australia.

Indonesia, the world's fourth-most populous country, has set a target of becoming an advanced economy, and the world's fourth-largest economy, by 2045. This is a significant leap ahead from its current position where GDP per capita is 30% lower than the world average. These ambitious targets are combined with a commitment to reach net zero emissions by 2060. To make this dual transition, Indonesia urgently needs gas to replace coal for electricity generation and industrial heat. Gas has an ongoing role supporting the development of renewables in Indonesia, and the transition will not occur without it.

Cue's New Zealand hydrocarbon production is subject to emissions pricing in New Zealand. Under the New Zealand Emissions Trading Scheme, Cue purchases credits that offset emissions from our share of the Maari production facilities. The emissions trading scheme has the economic effect of disincentivising wasteful emissions and rewarding renewable or low carbon initiatives.

At Cue, we are proud to help deliver the energy needs of these countries in a way that is making a step change in emissions reductions at the same time that we are supporting human wellbeing in access to reliable and affordable energy.

We are also taking responsibility for our own emissions and, where it's practical, we reduce our carbon impact and support our joint venture partners to reduce the carbon footprint of projects that we are involved in. Our corporate offices in Melbourne and Jakarta have reduced our carbon footprint, which is itself very small and we offset these emissions by planting trees.

Cue recognises and support global efforts to reduce climate change through clear and meaningful policy and market settings. We believe a collaborative transition is necessary to ensure the success of the transition and recognise that pricing carbon emissions is likely to be a policy utilised for achieving emissions reductions.

Specific steps we are taking to help reduce carbon intensity while continuing to provide for energy needs include doing the following:

- We actively identify, manage, report and mitigate material climate risk to our business, and report our governance, strategy, risk management targets and metrics;
- We meet the carbon reporting requirements of the regions we operate in;
- We promote the benefits of gas as a lower-emitting transition fuel that supports energy reliability and affordability, and is a strong companion for renewables;
- We review and implement opportunities to reduce the carbon impact of our operations;
- support our joint venture partners to look for and implement low carbon solutions; and
- We respond meaningfully to stakeholder views and expectations around climate change as it relates to our activities.

This report sets out our assessment of the business risks linked to climate change and how we manage them. We see opportunity in supporting the transition as well as a concern to manage our footprint responsibly and in the interest of shareholders and the wider community.

We are pleased to present this report on our progress.

**Matthew Boyall**  
Chief Executive Officer

# Taskforce on Climate-Related Financial Disclosures (TCFD) Statement continued

## 2. Governance

TCFD Category	Recommendation	Summarised in this document at
Governance	Disclose the organisation’s governance around climate-related risks and opportunities.	2.2, 2.3
	Describe the board’s oversight of climate related risks and opportunities.	2.2, 2.3
	Describe management’s role in assessing and managing climate-related risks and opportunities.	2.2, 2.3

### 2.1 Climate-related risk governance process



# Taskforce on Climate-Related Financial Disclosures (TCFD) Statement continued

## 2.2. Board oversight

The CEO is accountable to the Board for ensuring implementation of climate policies. The Board has responsibility for reviewing all risks, including climate-related risk and opportunities, and ensuring these are appropriately managed to support delivery of our business strategy.

Recognising and managing risks is an overarching Board accountability under its charter ((2.2 (h))

A copy of the Charter is available in the Corporate Governance section of our website.

The Board reserves to itself specific responsibility to:

“Understand the material risks faced by the Company and ensure the Company has appropriate risk management strategies and control measures in place and is actively managing these.”

–Board Charter, 3.3 (h).

The process for considering risks is set out in the company’s risk management system framework.

The framework meets the requirements of the ASX Corporate Governance Principles and Recommendations, Principle 7: Recognise and Manage Risk.

The Board Operational Risk and Sustainability Committee (ORSC) sets, reviews and agrees relevant risk policies, practices, frameworks, targets and performance. The Committee’s Charter makes it the responsible for approving environmental policy and monitoring progress, including climate change responses.

The ORSC Charter is also published on our website.

Cue’s risk register assesses risks related to climate policy, climate-related events, and public perception. Examples of risks are disclosed below in the section titled Climate-Related Risks.

Management is responsible for identifying, assessing and managing risk and reporting this to the Board through the ORSC. Management risk owners identify and manage risks. Management regularly reviews the corporate risk framework, including the Risk Register. The ORSC receives a report on updates to the register.

Management retains specialist expertise to review risk management. At an operational level, responsibility for day-to-day oversight of climate risk and opportunity (including managing climate objectives and targets) rests with the Chief Executive.

## 3. Strategy

TCFD category	Recommendation	Summarised in this document at
Strategy	Disclose the actual potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning where such information is material.	3.1
	Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.	3.2, 4.3
	Describe the impact of these risks on businesses, strategy and financial planning.	3.3
	Describe the resilience of the organisation’s strategy, taking into consideration different climate related scenarios including a 2 degree celsius or lower scenario.	3.4

# Taskforce on Climate-Related Financial Disclosures (TCFD) Statement continued

## 3.1. Actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The Company is involved in natural gas production for Indonesian and East Coast Australian markets that are energy constrained and hungry for gas to generate electricity that would otherwise likely come from coal generation.

The Company's forecasts indicate constrained markets will be sustained, with continued economic value for its production and value for its reserves.

## 3.2. Ongoing gas demand will be strong

### Short term

Gas demand in the current financial year is high, reflected in high prices. The IEA says global gas supply is set to remain tight. The global balance is subject to 'an unusually wide range of uncertainties' and could return to heightened volatility.

<https://www.iea.org/reports/gas-market-report-q2-2023>

Conditions for gas demand are different in locations where we operate. Australia is gas constrained, with demand expected to remain high as coal exits electricity generation.

In Australia, the ACCC says there should be sufficient gas to meet forecast demand across the east coast in 2024, while the southern states are expected to experience a shortfall. It warns that the major risk is transport and storage capacity to deliver Queensland's surplus gas to southern states.

<https://www.accc.gov.au/media-release/gas-supply-outlook-for-2024-improves-but-risk-of-winter-shortfalls-remains>

In Indonesia, consultancies Rystad, Refinitiv and Wood Mackenzie all expect gas consumption to rise, with the main risk to consumption volumes being reductions in government subsidies causing prices to rise.

The IEA projects global oil demand will climb by 2.2 mb/d in 2023 to reach 102.1 mb/d, a new record. Growth is forecast to continue, though more slowly, at 1.1 mb/d in 2024.

<https://www.iea.org/topics/oil-market-report>

### Medium term / Long term

The IEA and other forecasters believe the energy transition has begun.

The IEA says growth in world oil demand will slow through the 2020s, while total demand continues to rise. It estimates global oil demand will reach 105.7 mb/d in 2028, up 5.9 mb/d compared with 2022. Petrochemicals are the key driver of global oil demand growth.

<https://www.iea.org/reports/oil-2023>

In Australia and New Zealand, the transition will likely mean a long-term moderation in demand for oil, while in Indonesia the outlook depends on the uptake of renewables. Indonesia is heavily energy constrained and rapid uptake of renewables may moderate growth in demand for oil and gas but is unlikely to reduce overall demand in the medium term.

To support its energy requirements, the Indonesian government has domestic production targets of 1 million barrels of oil per day and 12 billion cubic feet of gas per day by 2030. This is a 50%-100% increase in 2023 production forecasts.

Overall, the demand picture represents volume and price opportunity, although longer term volumes are uncertain and volatile.

Cue assesses that existing forward prices adequately capture the balance of future price risks.

## 3.3. Regulation is likely to increase in australia and new zealand, carbon prices are likely to rise, and limits are likely to be imposed on emissions from domestic consumption.

In anticipation of higher carbon prices, the Company's sensitivity testing includes a shadow carbon price when screening new investments and testing of existing assets.

The Company applies sensitivity testing to its assets and reviews assets for impairment as part of our financial audit and assurance processes. This testing reviews whether asset valuations have been materially affected by climate-created conditions, including effects on prices, costs, insurance, financing and abandonment. Sensitivity and impairment testing manages economic risks to assets. Where those risks change materially, disclosure is made under the Company's continuous disclosure obligations.

Resilience to physical risks, such as weather events, is reviewed as a normal part of engineering risk management. Regulatory risks are mitigated by having revenue producing assets in three diverse jurisdictions.

# Taskforce on Climate-Related Financial Disclosures (TCFD) Statement continued

The Company complies with existing regulations. Its emissions in New Zealand are subject to an emissions trading scheme, which requires the Company to purchase carbon credits (NZUs) and surrender one for each tonne of carbon emitted.

Indonesia has enacted laws that plan to implement a carbon tax, although the implementation has been postponed for most industries. There is currently no mandated carbon pricing mechanism in Australia for Cue emissions.

Emissions from Scope 3 use (use of oil and gas products by other businesses and consumers) are not able to be reliably measured, are subject to double counting of total emissions, and are not meaningful in jurisdictions applying national emissions caps.

All Cue produced gas in Indonesia and most in Australia is used in electricity generation. The high proportion of coal fired power generation in Australia and Indonesia means that gas from Cue substitutes higher emissions alternative sources.

## 3.4. Resilience in alternative scenarios

The Company monitors the International Energy Agency's World Energy Outlook, and models produced by other industry forecasters and consultancies.

In all scenarios, we expect to see continuing strong demand for gas in the short term in all our markets.

A more rapid decarbonisation outlook could affect the longer-term outlook.

Gas fields cannot easily or quickly increase supply in response to increased demands, and therefore increased demand is likely to contribute upward price pressure. In the longer term, the response to lower prices would be likely to be slower investment in deliverability.

In both Australia and Indonesia, regulatory appetite for capturing carbon emissions is high. In a scenario where CCS becomes more economic than the cost of emitting, Cue would expect to investigate the potential to reduce emissions and continue production through CCS. No such abatement plan is currently under consideration, but it exists as a response in an alternative scenario where emissions pricing is high.

If oil prices fall significantly, our interests in the Mahato and Maari oil fields may be affected. This risk is reflected in the forward price curve that forms the basis of impairment analysis and reviews of the expected value of the assets.

Resilience to financial or economic changes is tested as part of financial audit and assurance processes, which includes impairment testing. Financial planning incorporates expected prices and revenues, including carbon costs, insurance costs, maintenance costs, and the availability of corporate finance.

Specific material risks or changes to financial outlooks are disclosed in financial reports where these are material.

## 4. Risk management

TCFD category	Recommendation	Summarised in this document at
Risk management	Disclose how the organisation identifies, assesses and manages climate-related risks.	4.1
	Describe the process for identifying and assessing climate risks.	4.1
	Describe processes for managing climate risks.	4.1
	Describe how processes for identifying, assessing and managing are integrated into overall risk management.	4.1

### 4.1. How we identify, assess and manage climate-related risks

The Company's Risk Management System Framework applies consistent and comprehensive risk management practices.

Climate risks are recorded in the central risk register, which considers the risks, reviews the controls, assigns ownership of risk and tracks treatment plans.

Climate risks are identified on an ongoing basis and consideration is given to industry and peer information and expertise, shareholder and community feedback, regulatory changes, and analysis by our own staff and contractors.

Risk assurance and oversight of climate risk management is provided through internal review by the board Operation Risk and Sustainability committee.

The Chief Executive has responsibility for climate risk, including risks to individual assets and financial and investment risks associated with climate change.

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Potential risks to Cue Energy Resources from climate change are assessed under the following headings:

- Policy and Legal,
- Physical (acute and chronic),
- Financial and Market,
- Social/Political/Regulatory, and
- Technological.

All these risks have potential financial and operational implications due to lost profitability and increased delays. Financial and market risks, and social/political risks also present opportunities associated with more rapid uptake of natural gas as a lower-carbon replacement for coal.

Risk types and controls are specifically discussed below at 4.3.

## 4.2. Calculating climate risks in asset models

Physical risks associated with climate are assessed in engineering planning.

For forward price risk associated with production, the company uses impairment testing based on forward market prices and contracts.

### New Zealand

For our New Zealand Maari asset, Cue uses the New Zealand ETS market pricing for carbon emissions.

The Company purchases NZUs annually. (NZUs are New Zealand emissions units, reflecting a tonne of carbon emitted. One unit must be surrendered to the government each year for each tonne of carbon emitted.)

The expected price of NZUs is modelled in Maari performance forecasts and impairment testing. NZU prices have been volatile, future prices are modelled with an expectation of government policy toward the carbon market. Government policy is not expected to allow the carbon price to fall further, while intervention in the market in 2023 suggested an implicit policy price cap exists at around NZD\$80/t.

For physical risks to the Maari production site, the Company carries insurance and equipment is engineered to standards in excess of expected weather activity.

### Australia

There is currently no mandated carbon pricing mechanism in Australia for Cue emissions.

For investment into the Amadeus basin assets, Cue's advisers used a range of sensitivities to test the economics of the investment based on market prices in other comparable international regimes.

For physical risks to Amadeus Basin interests, the Company has comprehensive insurance cover. The risks associated with climate are assessed in engineering planning.

For forward price risk associated with production, the Company uses impairment testing based on forward market prices and contracts.

The Company uses an internal price to test economics of investments based on market prices in other comparable international regimes. Expectations of forward prices reflect the market consensus about the likelihood and level of future carbon charges and market demand. Potential increased carbon pricing or reduced prices are part of the Company's sensitivity testing.

Carbon prices have generally conformed to forward curves in the reporting period, while oil and gas commodity prices have been higher due to concerns about energy security and actual shortages of gas. As a result, the financial risks associated with climate change are assessed to be limited or positive (upside) as of the date of this report.

### Indonesia

Emissions from the company's interest in the Sampang and Mahato PSCs are considered in performance forecasts and impairment testing.

Indonesia has enacted laws that plan to implement a carbon tax but the implementation has been postponed for most industries. A carbon cost mechanism allows coal power plants to buy emissions credits from plants with lower emissions and renewables.

The Company monitors the economic effects of climate-related policy and climate conditions on the value and operation of its assets.

Due to uncertainty about future carbon pricing mechanisms and the rapidly changing policy positions in some countries where the Company operates and investigates new projects, carbon price testing is undertaken using the most available information and estimates at the time.

## Taskforce on Climate-Related Financial Disclosures (TCFD) Statement continued

For physical risks to all our asset interests, the Company has comprehensive insurance and regularly participates in technical review meetings that assess engineering risks to plant.

### 4.3. Risk types and controls

The table of risks below uses the following time horizon categories:

Short - 0-5 years,

Medium - 5-10 years,

Long - 10+ years.

Risk type	Recommendation	Description	Time	Control
Non physical risks	Policy and legal risks	Litigation against companies and/or directors on climate grounds (claiming causation or seeking greater action to mitigate effects) could have reputational, development and operating cost impacts.	s, m, l	Board and management understand their fiduciary duties around climate change risk.
		Risk of regulatory backlash against ESG initiatives.		Internal processes include due diligence and joint venture processes to identify and manage climate risk.
		Changing regulations including banks and restrictive regulations, taxes and emissions limits across all jurisdictions risk viability of projects.		Monitoring the jurisdictions where we undertake activities. Strategy of diversifying jurisdictions to mitigate changes on any individual regulatory environment. Reporting on climate related governance, strategy, risks and targets.
Reputational and social license risks		Stakeholder disengagement and oppositional activism. Loss of social license, leading to project delays or stoppages. Recruitment and retention risk.	s, m, l	Manage environmental performance. Due diligence screening of commercial opportunities and joint ventures
Financial risks		ESG investing affects availability and cost of capital.	s, m, l	Shadow price on carbon to sensitivity testing in investment decisions.
		Insurance premiums increase. Potential for classes of assets and locations to become uninsurable.	s, m, l	Due diligence screening of commercial opportunities and joint venture processes.
		Capital cost increase if new environmental standards require more expensive supplies relative to alternatives.	m, l	Assurance relating to insurance forecasts. Access to a range of funding options.
		Carbon pricing adopted across jurisdictions, or inconsistently between them.	s, m, l	Reporting on climate related governance, strategy, risks and targets.
		Changes to price and cost forecasts result in stranded assets or reserves.	s, m, l	Jurisdictional diversification to avoid impact on sudden, unilateral changes, confiscation or value destruction by regulation.

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Risk type	Recommendation	Description	Time	Control
Physical risks	Acute & Chronic	To increased frequency and intensity of extreme weather events such as storms, flooding, coastal inundation, lack of water availability, or slips.  Offshore drilling and production delayed or shut in by increased weather events	m,l	Engineering anticipates environmental conditions.  Carbon policy provides for review of climate issues in strategic and operational decisions.
Opportunities	Commercial	Global reduction in high carbon sources such as coal is increasing demand for natural gas as a lower carbon partner to renewables.	s,m,l	Strategic preference for natural gas. Support for our joint venture partners pursuing low carbon innovations on sites.

TCFD category	Recommendation	Summarised in this document at
Targets and Metrics	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	4.2
	Disclose the metrics used by the organisation to assess the climate related risks and opportunities in line with its strategy and risk management process.	4
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.	5.1 The company does not report Scope 3 emissions as the information does not exist.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	5.2, 5.3

## 5. Measurements and targets

The TCFD recommends disclosure of:

- the measures we use to assess climate-related risks and measure them,
- emissions (by Scope 1, 2 and 3), and
- the targets that we use to manage climate-related risk.

Measures used to assess risks and measure them are described in section 4, above.

Scope 1 and 2 emissions are disclosed below in Table 5.1.

Scope 1 and 2 emissions relate to Cue's share of emissions from production facilities in New Zealand, Australia and Indonesia and corporate office activities.

The Company does not report Scope 3 emissions as the information is not obtainable from end users, and reporting would double count emissions across the economies in which we operate.



# Taskforce on Climate-Related Financial Disclosures (TCFD) Statement continued

## 5.1. Metrics

### Total greenhouse gas emissions

#### Oil and gas operations

Emissions from producing oil and gas fields are reported below and include Cue's share of Scope 1 and scope 2 emissions from operations.

The company makes use of the best information or estimates available for reporting CO<sub>2</sub> emissions. Maari and Sampang PSC field Operators report detailed monthly emissions. Central Petroleum, operator of Cue's Onshore Australia Assets, reports emission on the NGER. FY23 data is not available at the time of the report and is not included in totals or comparisons.

#### Corporate offices

An annual estimate is prepared of carbon emissions from corporate activity, using inputs such as electricity bills and air travel.

### Scope 1 Emissions

	Emissions (tCO <sub>2</sub> e)**	boe produced**	Intensity Factor (tCO <sub>2</sub> e per boe)
FY21*	8,720	352,338	0.025
FY22	8,311	452,251	0.018
FY23	8,442	388,648	0.022

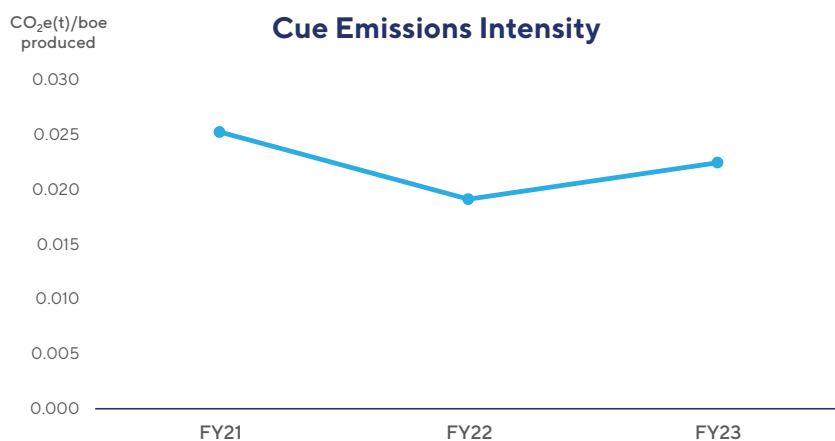
\* Mahato Emissions for 2021 are not included as the data was not available for the first part year

\*\* Amadeus Basin emissions data is not included due to timing of the Operators NGER reporting and will be published by Cue when available later this year

### Scope 2 Emissions

	CUE Emissions (tCO <sub>2</sub> e) FY23	Previous Year
Total Office emissions (Melbourne & Jakarta)	7.7	15.1
Samarinda Warehouse	5.6	5.6
Sampang	279.8	319.7
<b>Total Scope 2 Emissions</b>	<b>293.1</b>	<b>340.4</b>

Cue offset estimated office and air travel emissions through the planting of approximately 100 trees with Greenfleet Australia, who plant native trees in legally protected biodiverse forests to capture carbon emissions.



Onshore Australia data excluded due to timing of Operators NGER reporting. Mahato emissions data was not reported for FY21.

# Taskforce on Climate-Related Financial Disclosures (TCFD) Statement continued

## Our Results: Targets for FY2023

Focus Area	Target	Impact	Status
Reporting	Continue to report Scope 1 and 2 emissions	Disclosure of risks, impacts and climate responsiveness	Complete, Ongoing refinement of data collection and reporting
Reporting	Maintain TCFD statements and reporting online and in the 2022 Annual Report.	Disclosure of risks, impacts and climate responsiveness	Reported for FY 22 in October 2022 Annual report
Reporting	Continue to enhance Mahato emissions collection from Operator	Disclosure of risks, impacts and climate responsiveness	Ongoing. Standardised reporting is expected to be implemented in Mahato PSC in FY24
Policy and Legal	Review climate change policy and update if necessary	Disclosure of climate strategy	Publication in annual report. Available on website
Commercial	Apply internal price on carbon to investment decisions	Management of carbon pricing risk	Actioned as required
Emissions reductions	Participate with JV partners to identify material emissions reductions or offsets at producing sites	Ongoing mitigation of emissions	Material Emissions reduction projects underway at Maari and Mereenie
Emissions reductions	Offset 100% of emissions from head office and corporate travel.	Net zero from our own operations	FY23 offsetting of 60T Co2 through tree planting
Emissions reductions	Support office sustainability improvement opportunities.	Sustained emissions reductions	Ongoing

## Our Intentions : TCFD Targets for FY2024

Focus Area	Target	Impact	Measured by
Reporting	Continue to report Scope 1 and 2 emissions. Consider applicability of Scope 3 emissions reporting	Disclosure of risks, impacts and climate responsiveness	Publication in Annual report and website.
Reporting	Adopt reporting requirements under Treasury proposals for Climate-related disclosures in line with published timelines	Disclosure of risks, impacts and climate responsiveness	Publication in Annual report and website.
Reporting	Continue to enhance Mahato emissions data collection from Operator	Disclosure of risks, impacts and climate responsiveness	Publication in Annual report and website.
Reporting	Report on Australian Onshore assets Carbon emissions when available and update company published data	Disclosure of risks, impacts and climate responsiveness	Publication in Annual report and website.
Policy and Legal	Review climate change policy and update if necessary	Disclosure of climate strategy	Publication in Annual report and website.
Commercial	Apply internal price on carbon testing to investment decisions	Management of carbon pricing risk	Publication in Annual report and website.
Emissions reductions	Participate with JV partners to identify material emissions reductions or offsets at producing sites	Ongoing mitigation of emissions	Publication in Annual report and website.
Emissions management	Offset 100% of emissions from head office and corporate travel.	Net zero from our own operations	Publication in Annual report and website.