Secrecy over leaking gas tank sinks Santos deal

A methane leak that remains unchecked helped derail what would have been the biggest all-cash takeover in Australian corporate history.

By Royce Kurmelovs *The Saturday Paper on September 27, 2025*

It was a bombshell on a 20-year delay that reportedly helped sink the multibillion-dollar sale of Australian oil company Santos.

Until Thursday last week, the $36.4 billion bid by the **Abu Dhabi National Oil Company (ADNOC)** – the biggest all-cash takeover in Australian corporate history – was on track. Arranged through ADNOC's subsidiary, **XRG**, it would have seen Santos absorbed into the United Arab Emirates' state-owned oil and gas company.

Then, 48 hours before the deal was meant to close, and after eight months of negotiations, ADNOC walked away. It was the third collapsed bid for Australia's second-largest fossil fuel company in seven years.

"While the Consortium maintains a positive view of the Santos business, a combination of factors, when considered collectively, have impacted the Consortium's assessment of its indicative offer," the company said.

Santos expressed its frustration in its own statement, noting that ADNOC "had not found anything in its due diligence that would lead it to withdraw".

Santos chair Keith Spence said: "Santos has a clear strategy, strong leadership and high-quality growth opportunities across our global portfolio. The Board is confident these strengths will deliver long-term value for shareholders."

Both of the previous deals had undergone a due diligence process. In 2018, Santos rejected as too low an offer from a United States private equity firm. In 2024, the competing Australian giant **Woodside Energy** walked away.

This latest proposal still faced a test to secure approval by the **Foreign Investment Review Board (FIRB)**, which was to inform the treasurer's decision by assessing the potential impact on domestic supply. Before it came to that, however, the deal soured on what was reported as a series of poor communications between Santos and its suitors. Among the issues was a 20-year-old leaking gas storage tank operated by Santos and located seven kilometres from Darwin. The problem was kept secret from the public and, apparently, ADNOC.

When the tank, built by US multinational **ConocoPhillips**, began operating in 2006, it featured a design flaw that meant it leaked liquid gas into the insulated walls.

ConocoPhillips documents obtained under freedom of information by **Environment Centre NT** and handed to the ABC show that the company initially reported the fault to workplace safety regulators but didn't correct it for another decade. The documents show that in 2019, ConocoPhillips deployed American drones to measure the extent of the leak and found that, when full, the tank was releasing up to 184 kg of methane gas an hour.

Methane is a greenhouse gas that is 80 times more potent than carbon dioxide over a 20-year period. Not only did the leak represent a significant climate risk, it was a work safety hazard. In 1998, an explosion at Esso's Longford gas plant in Melbourne killed two people and left others injured.

In 2020, ConocoPhillips notified the NT EPA about the issue hours after the regulator had approved an extension of its operating licence to 2050. At the time, Santos was in the process of taking over the multinational's Australian assets. "Forty-eight hours before the deal was meant to close, and after eight months of negotiations, ADNOC walked away. It was the third collapsed bid for Australia's second-largest fossil fuel company in seven years."

An ABC investigation revealed Santos used knowledge of the leak to negotiate a discount when it acquired the assets from ConocoPhillips. To date, regulators have not forced the tank to be repaired.

Kirsty Howey, executive director of Environment Centre NT, said other efforts to obtain documents relating to Santos operations through FOI are still being blocked. "There's been a cover-up, there's been a decision made in the interests of a multibillion company rather than the community."

At the same time, the ABC has revealed, NT EPA chair Paul Vogel held a paid role advising a lobbyist for **Inpex**. The Japanese oil and gas company is a co-owner of the Darwin liquefied natural gas plant that Santos has incorporated into its plan for the $4.6bn Barossa Gas Project. The project – often referred to by critics as a "carbon factory with a gas plant attached" for the high volume of CO_2 in the field – came online early this month.

Vogel rejected any suggestion in media reports that his consulting work constituted a conflict of interest, saying he only provided advice to the Western Australian firm Purple "on an ad hoc basis". "I have never provided advice to any of Purple's clients that the NT EPA regulates in the NT, nor have I been requested to do so," he tells *The Saturday Paper*.

"Furthermore, I have not done any commercial work with Purple for the past 18 months. There is no conflict of interest, perceived or actual."

Greens senator Sarah Hanson-Young last week called for Vogel to quit or be sacked. "There is a clear perception of a conflict of interest in this case. Dr Vogel's position is untenable and he should resign."

Vogel has also been appointed by bauxite mining company **VBX** as a strategic adviser on approvals for its project in Western Australia. The NT EPA chair says if any VBX matter should require the attention of the regulator, he would "recuse himself from any discussions and decisions".

In a statement this month, the NT EPA said it was aware of the "fugitive methane leaks from the Santos LNG tank" and that it didn't make the information public because the levels recorded "do not pose any risk of explosion and negligible risk to human health or the environment".

The **Clean Energy Regulator** confirmed to *The Saturday Paper* that it was notified of the fugitive emissions, and "it appears that the reported **NGER [National Greenhouse and Energy Reporting]** data adequately accounts for the leakage." would be accounted for under the federal government's safeguard mechanism, which obliges companies to reduce emissions or buy carbon credits to offset them. The NT EPA declared the leak therefore "adequately regulated", adding that "regulation by the NT EPA of the same emissions makes no sense whatsoever".

Dr Paul Rayner, chief scientist with **The Superpower Institute**, challenged the suggestion by the NT EPA that the leak will be regulated by the federal government under the safeguard mechanism. "The suggestion by the NT EPA that any emissions from this leak will be accounted for under the safeguard mechanism misrepresents how they are actually calculated. The reality is they won't be, because under current reporting requirements, companies estimate emissions based on facility type rather than using measured emissions data."

Secrecy surrounding the leak appears to have played a role in sinking Santos's $36bn deal.

Journalists from the Nine newspapers who had travelled to the United Arab Emirates on a paid trip with ADNOC reported that the company had learnt about the issue from reports in Australian media.

A separate account from Bloomberg citing ADNOC officials reported that the scandal was not the sole reason the company walked away from the decision but had dealt a blow to the trust between the two parties.

Tim Buckley, director of the public interest think tank Climate Energy Finance, says had the deal gone ahead, ADNOC would have fully owned any other environmental liabilities on its books. That said, he believes ADNOC would have had difficulty in obtaining the necessary FIRB approval.

Josh Runciman, lead financial analyst with IEEFA, said the outcome raises questions about Santos's long-term strategy. The company has been aggressively promoting new fossil fuel developments across the country at a time when the world faces a gas glut and dwindling demand that will drive down prices, threatening the viability of megaprojects. "It is

[Santos's] third crack at this," Runciman says. "If I was a Santos investor, I'd be questioning what XRG has seen that caused them to walk away."

Santos has a number of other liabilities on its books. The company is on the hook for a share of clean-up costs on Barrow Island as operations wind down, and has reported leaking gas fields at Legendre and Varanus Island, all off the coast of Western Australia.

The company has long claimed it is "not feasible" to clean up the leaking Legendre gas field. In February, the **National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA)** only required Santos to continue monitoring the leak.

The company also faces growing costs from ageing assets, including infrastructure associated with the depleted Bayu-Undan gas field in the Timor Sea, and its Moomba complex in the South Australian outback. Both sites are now home to carbon capture and storage operations.

Analysis from **The Australia Institute** suggested that Santos's Moomba carbon capture and storage operation, which came online in September 2024, has managed to capture just 4.6 days' worth of the company's total corporate emissions in the first quarter of 2025.

If the leaking gas tank outside Darwin is anything to go by, Kirsty Howey says the "extreme measures" taken to avoid telling the public about what happened raises further questions about what else might be out there. "It says something broader about how far the fossil fuel industry will go in service of profit rather than communities," Howey said. "People feel betrayed, they feel lied to and they feel outraged – as they should."

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