

## AGL Energy Limited

### Climate Change Policy

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6<sup>th</sup> Annual CEEM Conference

March 2010

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## Agenda

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- > Sustainable Energy within the context of energy market transformation
  - » Climate change and energy security
- > CPRS, RET and Climate Change Policy
  - » Fundamental shift in supply options
  - » Development opportunities
  - » Impact of policies on existing assets
- > End-user pricing
  - » Modelling studies provide little guidance
  - » Emissions intensity
- > Future commitments and recognised performance

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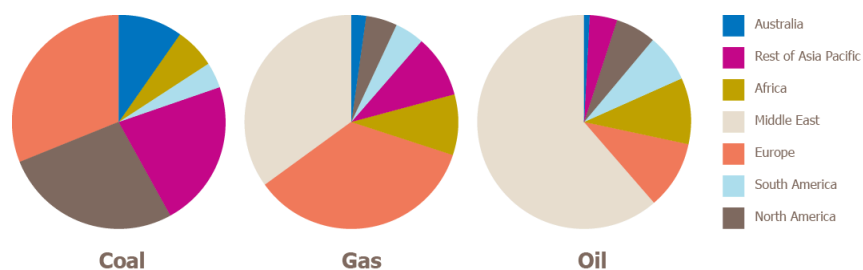
Transformation of  
Energy Markets and  
Sustainability



## Global energy reserves

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Australia is unusual, global energy security remains a key policy risk for many developed nations



Source: BP (2008)

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## Energy Market Transformation

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Global energy markets are undergoing significant transformation. Energy policy makers are responding to three key issues:

Issue	Global Policy Response	Australian Policy Response
Climate Change	Greenhouse gas emissions trading	Carbon Pollution Reduction Scheme
Energy Security	Renewable energy targets	20% Renewable Energy Target
Fuel Poverty	Energy efficiency schemes	Emerging state-based schemes

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## Domestic policy is critical

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- > International policy settings are not as important as domestic policy settings
- > Most critical thing for a utility is long-term certainty of domestic abatement target
- > With appropriate target in place, three policy settings required:
  - » Domestic emissions trading scheme (CPRS)
  - » Renewable energy target (RET)
  - » Energy efficiency scheme (emerging)
- > AGL does not support unlimited international linkages. Domestic electricity and gas consumers want investment in abatement to be within the Australian energy market
- > Most important outcome from Copenhagen is setting of targets for 2020

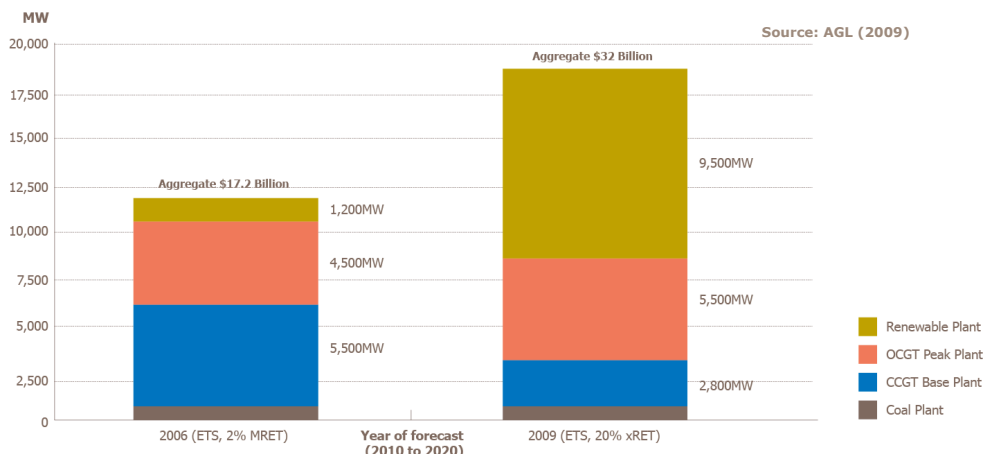
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## Policies favour renewable investment

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Due to the RET and CPRS/Direct Action, the energy sector will be significantly transformed



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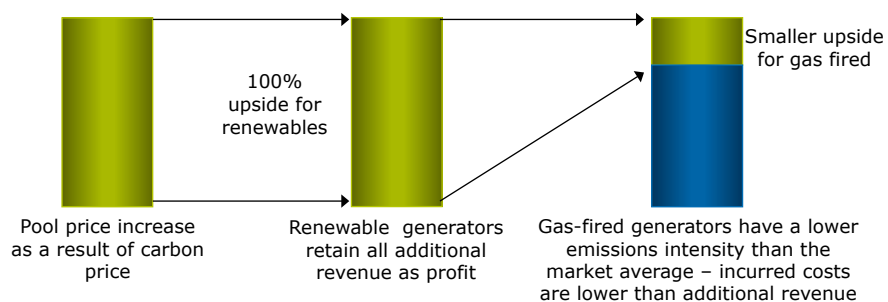
RET and CPRS/Direct Action – Impact on Existing Assets



## Impact on individual generators

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Renewable generators increase substantially in value, gas-fired also increase but coal fired generators decrease in value



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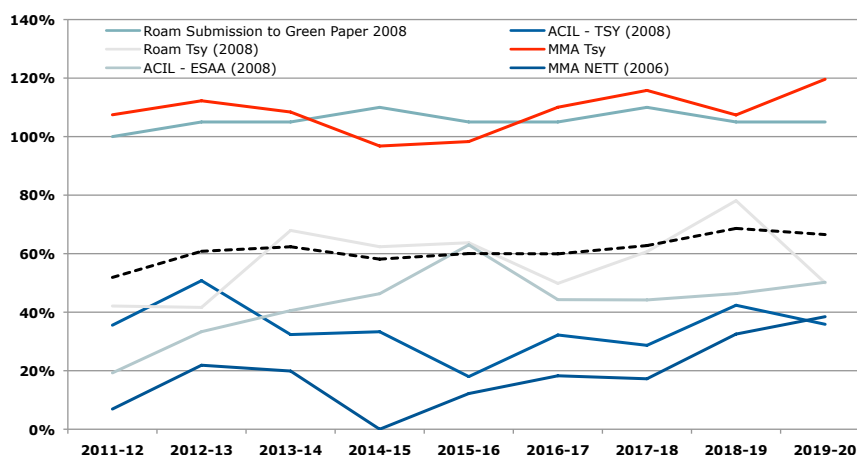
End User Pricing



## Future prices impacted by numerous variables

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Estimated pass through of carbon prices varies substantially across modelling studies



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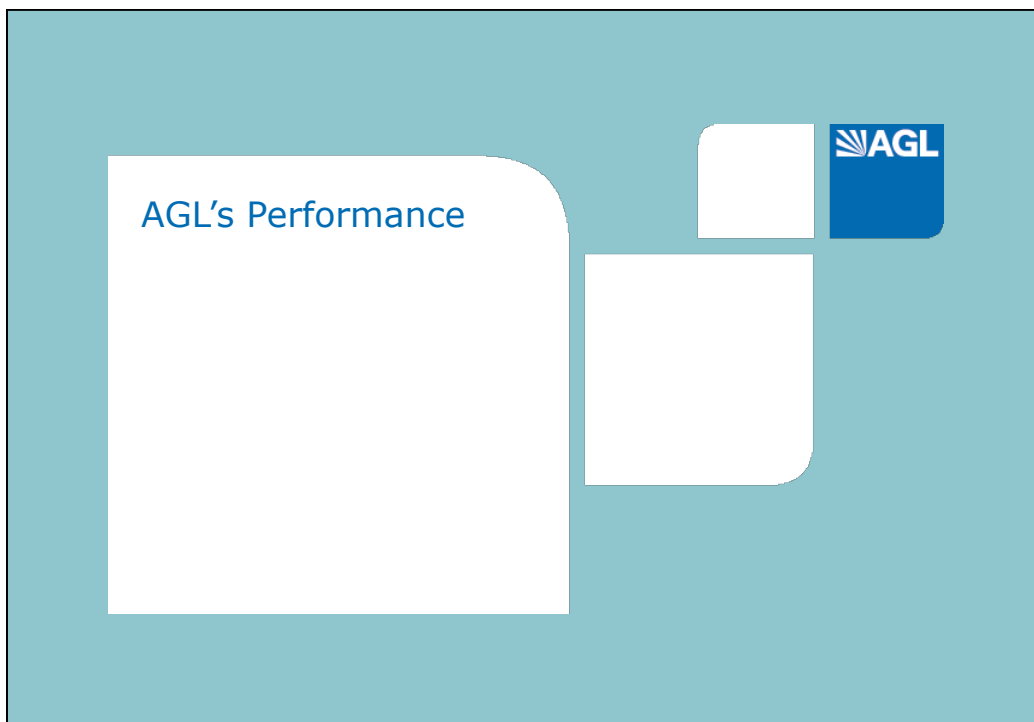
## End user pricing

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- » CPRS draft legislation and policy documents provide a clear expectation of cost pass through to end users:
  - » Transitional assistance to Energy Intensive Trade Exposed (EITE) industries is based upon cost pass through of 1 tonne per MWh (the approximate average emissions intensity of the National Electricity market)
- » Council of Australian Government's through the Australian Energy Market Agreement have stated:
  - » "...where retail prices are regulated, energy cost increases associated with the CPRS (climate change policy) shall be passed through to end use customers."

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## Future Commitments

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- > All of our commitments are designed to maximise long-term shareholder value
- > Commitments for 2009/10
  - » AGL has stated that we do not have any plans to invest in the development of new conventional coal fired power stations
  - » AGL has committed to become the largest retailer of new renewable energy by volume



## AGL Recognised as an Industry Leader

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**DJSI World:** In September 2009 AGL was included as a constituent company in the Dow Jones Sustainability World Index (DJSI World) 2009/10, which tracks the top 10% in terms of sustainability performance in each sector of the world's largest 2,500 companies.



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