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ASX statement

6 May 2009

Attached is a presentation to be made today by Managing Director Michael Fraser at the Macquarie Connections Australian Conference.



Paul McWilliams
Company Secretary



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AGL Energy Limited

Renewables... Leading the Paradigm Shift

Michael Fraser
Managing Director & CEO

Macquarie Connections – Australian Conference
May 2009



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Agenda

- › **About AGL Energy – Background & Strategy**
- › **Renewables & Carbon: Policies & Industry Impacts – An Update**
- › **AGL Renewables & Carbon: Positioning & Opportunities**
- › **Way Forward**
- › **Question & Answer**

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About AGL Energy



About AGL Energy

Australia's largest integrated renewable energy company.

- › Australia's largest private owner, operator & developer of renewable generation
- › Australia's largest, diversified (geography, fuel & mix) generation portfolio
- › Australia's largest natural gas & electricity customer base
- › A world class, scalable customer management & billing system (Phoenix SAP solution)
- › Australia's largest contracted gas portfolio & emerging positions in new Coal Seam Gas (CSG) developments
- › Industry leading portfolio of renewable & thermal development projects
- › S&P/ASX50 stock with market capitalisation of ~A\$6.5 billion
- › BBB investment grade credit rating (Standard & Poor's)



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AGL Energy Today – Asset Profile

OPERATIONAL SNAPSHOT

- Retail Customer Accounts**
- 3.22 million accounts
 - 1.42 million gas
 - 1.8 million electricity
 - 1.19 million dual-fuel

- Current Generation**
- ~3,510 MW owned and / or operated
 - ~350 MW renewable under construction

- New Generation Developments**
- ~2,000 MW identified renewables
 - ~5,200 MW identified gas

- Current Gas Reserves¹**
- ~3,100 PJ contracted gas
 - ~680 PJ equity gas

- Energy Sales**
- Electricity ~37 TWh p.a.
 - Gas ~230 PJ p.a.

- Other Generation – Renewables ~100MW (Australia-various)**
- Cogen, landfill gas, photovoltaic and bagasse

- Gas – Galilee Basin (Australia – QLD)**
- Investment in CSG production pilot and exploration appraisal program in Galilee Basin
 - 50% interest in exploration tenement ATP529P

- Gas – Innamincka (Australia – SA)**
- Farm-In to permits PEL101 & PEL103 and 10 year gas marketing agreement

- Geothermal - Torrens Energy (Australia – SA)**
- 9.9% investment in Geothermal developer with associated Geothermal development agreement

- Retail - ActewAGL (Australia – ACT)**
- 50/50 Joint Venture with Actew Corporation
 - Australian Capital Territory's (ACT) leading multi utility offering electricity, natural gas, water, wastewater and telecommunication services

- Gas – CSM Energy (Australia):**
- 35% investment in coal mine methane extraction company

1. 1 PJ (Petajoule) = ~0.95 BCF (billion cubic feet)

QUEENSLAND

- Customer Accounts**
- 83,600 gas
 - 363,100 electricity

- Generation**
- Yabulu – Gas – 121 MW (50% dispatch rights)
 - Oakey – Gas – 282 MW (100% dispatch rights)
 - Moranbah – Gas – 12 MW

- Upstream Gas**
- Moranbah Project – 416 PJ (50% equity)
 - Spring Gully – 6 PJ (various % equity)
 - Bowen / Surat Basin – 1,164 PJ (contract)
 - North QLD – 240 PJ (contract)



NEW SOUTH WALES

- Customer Accounts**
- 764,300 gas
 - 318,100 electricity

- Generation**
- Hydro – 62.2 MW

- Upstream Gas**
- Gloucester Basin (100% equity) – 175 PJ
 - Sydney Basin (100% equity) – 82 PJ

ACT (ActewAGL) 50/50 JV

- Customer Accounts**
- 112,200 gas
 - 155,700 electricity

VICTORIA

- Customer Accounts**
- 492,100 gas
 - 659,900 electricity

- Generation**
- Hydro – 583.3 MW
 - Bogong / McKay Expansion – 150 MW (construction)
 - Somerton – Gas – 150 MW
 - Loy Yang A – Coal – 689 MW (32.5% equity)

- Upstream Gas**
- Gippsland Basin – 931 PJ (contract)
 - Otway Basin – 270 PJ (contract)

SOUTH AUSTRALIA

- Customer Accounts**
- 78,500 gas
 - 463,700 electricity

- Generation**
- Torrens Island – Gas – 1,280 MW
 - Hallett 1 wind farm – 94.5 MW (off take)
 - Hallett 2 wind farm – 71.4 MW (construction)
 - Hallett 4 wind farm – 132 MW (construction)
 - Wattle Point wind Farm – 90.8 MW (off-take)
 - Angaston – Diesel – 49 MW (off take)

- Upstream Gas**
- Cooper Basin – 414 PJ (contract)

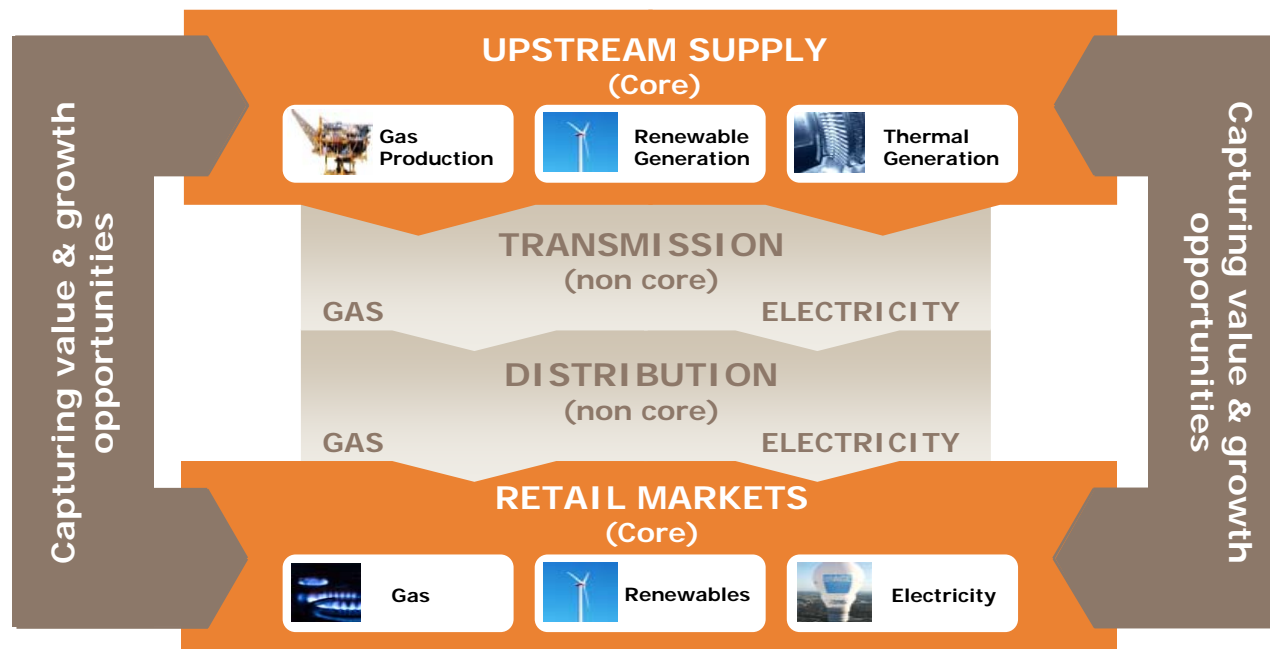
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The Integrated Strategy

Balancing risk between upstream supply, retail markets & providing access to multiple profit pools.

Upstream Gas:

- › Direct ownership of ~2,000 PJ (2P) over the medium term
- › Essentially CSG strategy
- › Disciplined decision around trade-off between acquiring gas and EPS impacts
- › Will continue to contract if achieves superior outcome



Generation:

- › Currently ~3,510 MW of capacity owned and/or operated (plus ~350MW under construction)
- › Medium term target of ~6,000 MW
- › Achieve 60-70% of load (capacity) internally covered to deliver desired portfolio outcomes

Market Leadership:

- › Ultimate focus on managing and growing margin, not specific customer number targets
- › Customer base / channel to market important in leveraging upstream strategy & achieving retail economies of scale
- › Potential base of 4 to 5 million customers given any participation in NSW privatisation

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Renewables & Carbon:
Policies & Industry
Impacts – An Update



Proposed Legislative Changes

Federal Government proposing two schemes – Expanded Renewable Energy Target (RET) & Carbon Pollution Reduction Scheme (CPRS).

Expanded RET

- › Draft legislation released – to be introduced mid 2009
- › Commences 1 January 2010 – Council Of Australian Governments (COAG) agreement 30 April 2009
- › Key value driver of renewable industry – remains on track

CPRS

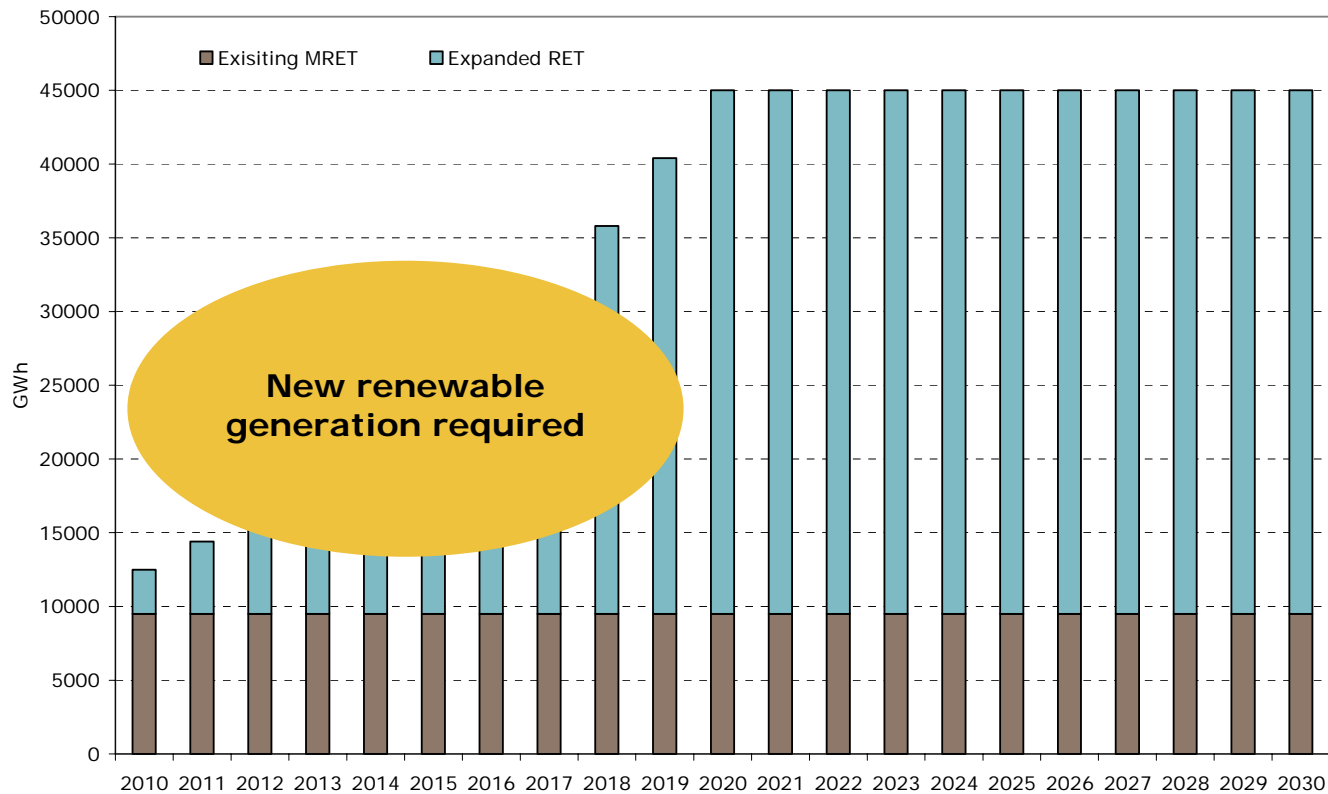
- › Government proposing delayed start to 1 July 2011
- › Additional assistance for Emissions Intensive Trade Exposed Industries
- › Fixed price of \$10 per tonne CO₂ in first year
- › Details of CPRS must be resolved to provide investment and market certainty

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Expanded RET drives Growth

AGL renewable portfolio to deliver material upside.



Source: AGL Greenhouse modelling

- > Additional 35,500 GWh pa of renewable energy required to meet expanded target of 45,000GWh pa
- > COAG Agreement last week to:
 - » Extend full target of 45,000 GWh pa out to 2030
 - » Increase RET penalty to \$65 (\$93 pre-tax)
 - » Increase assistance to large energy intensive trade exposed industries
- > AGL renewable portfolio to benefit from rising REC & electricity prices

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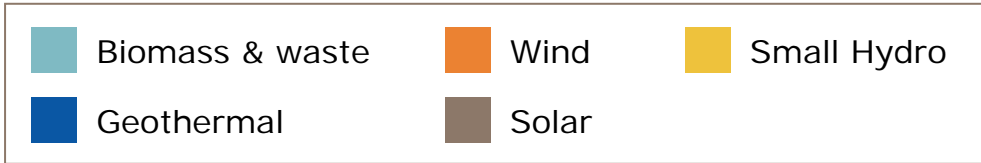


Growth - Wind Compared To Other Renewables

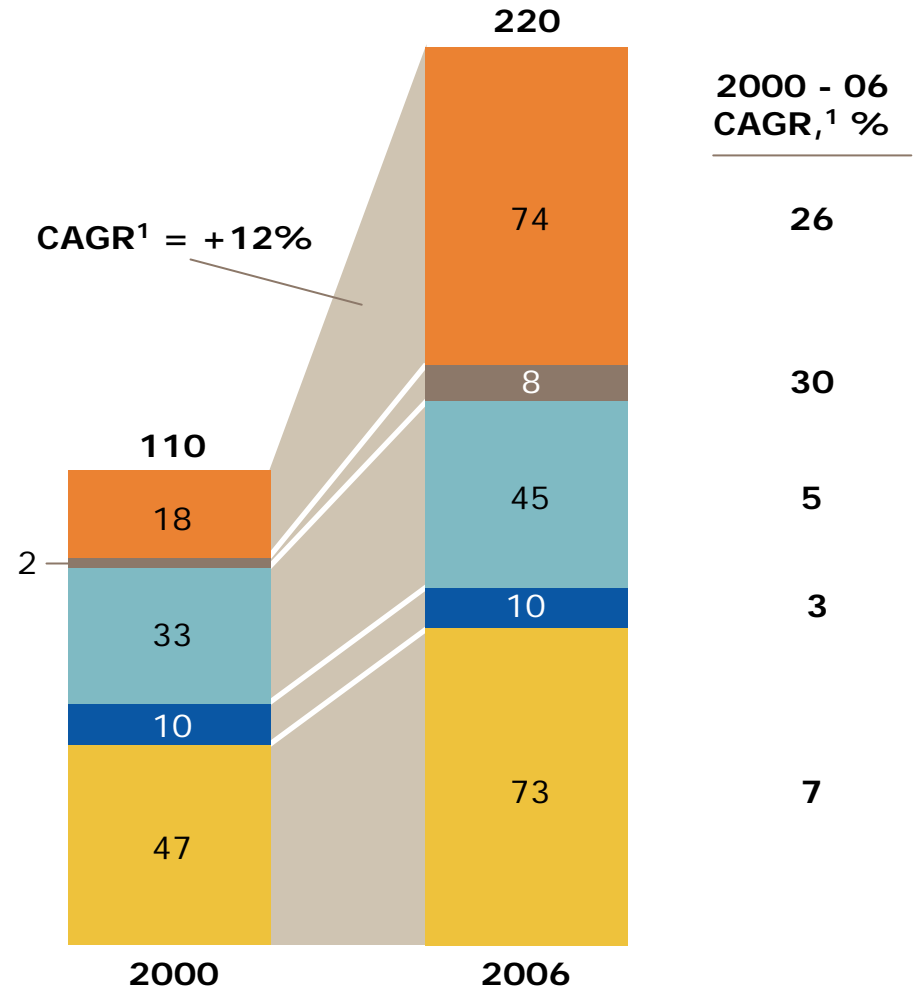
Global installed base, gigawatts (GW)

Ongoing global renewables growth

- > ~\$100 billion investment in Renewables in 2008
- > ~30% of all new capacity addition is renewable power



¹ Compound Annual Growth Rate



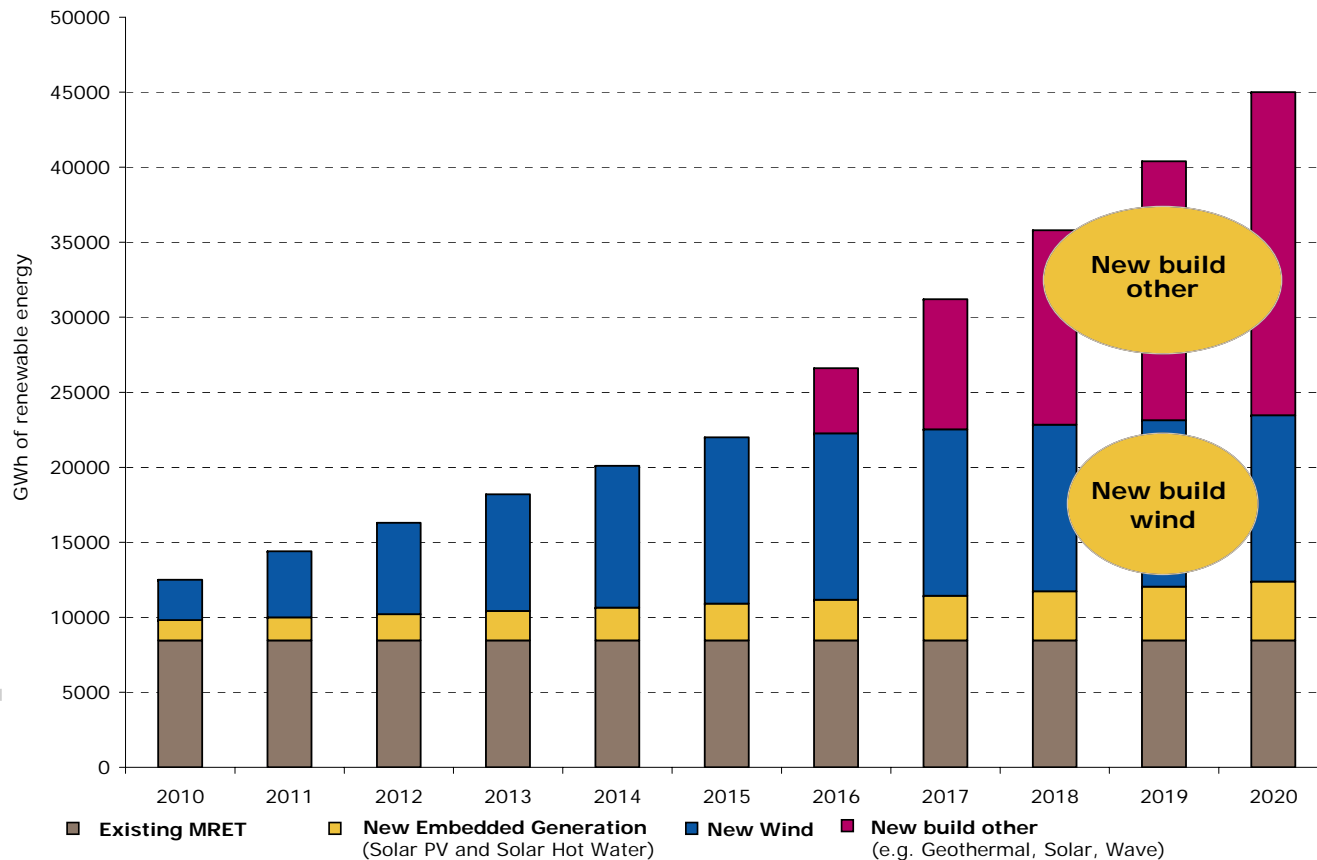
Source: McKinsey on Electric Power & Natural Gas: Number 1, Winter 2008

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Required Renewables Growth

Wind will dominate early build - geothermal & other technologies anticipated to play increasing role in out years.



Source: AGL Greenhouse modelling

- › AGL has a leading portfolio of development options across all major renewable technology groups
- › Largest privately owned hydro portfolio in Australia
- › Significant portfolio of wind development opportunities provides immediate access to lowest cost commercial deployable technology today
- › Longer term, technologies such as geothermal are likely to play a key role in renewable base load generation
- › Economics of a number of geothermal prospects impacted significantly by transmission costs

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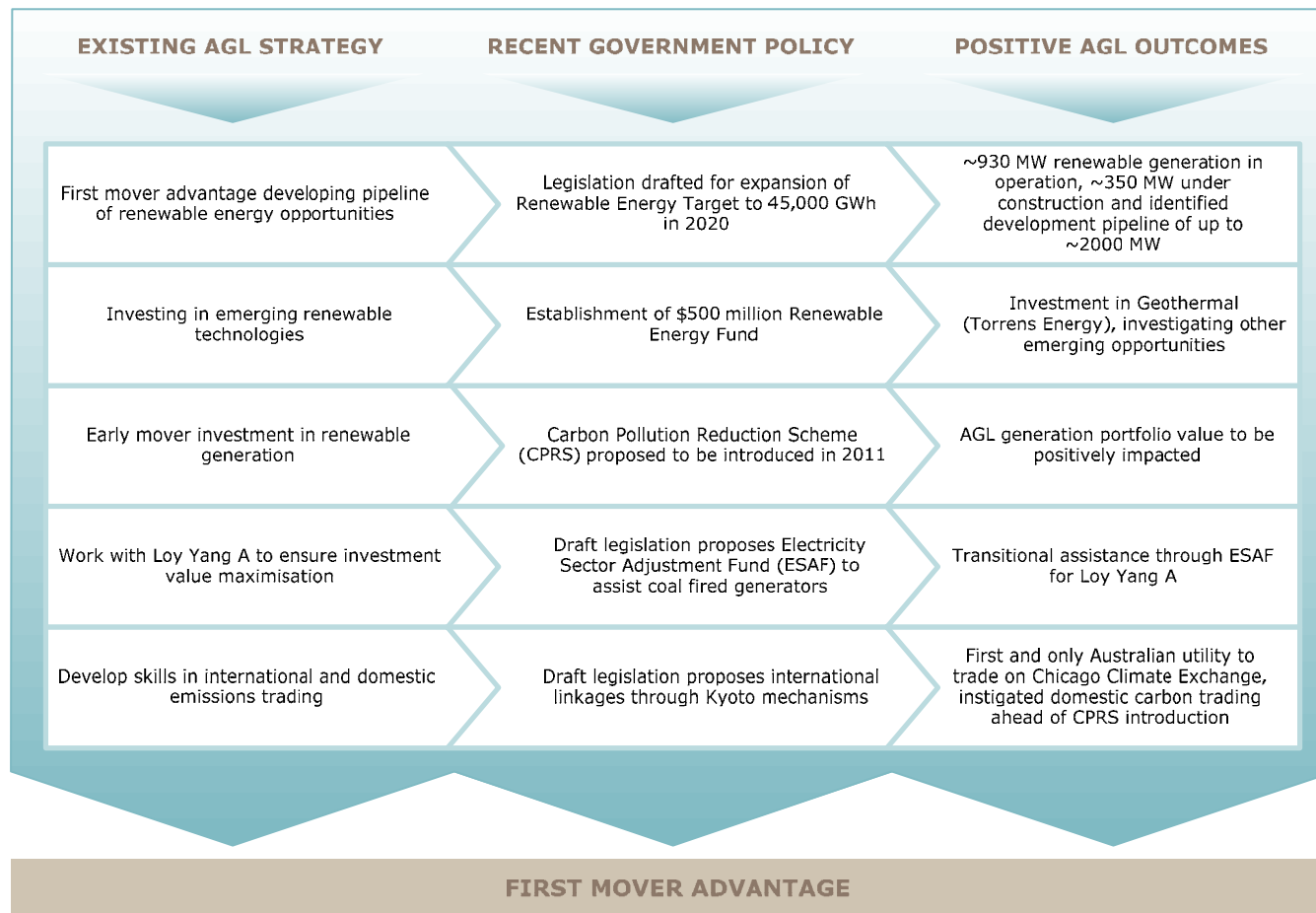
AGL Renewables &
Carbon:

Positioning &
Opportunities



Renewables & Carbon: First Mover Advantage

AGL's strategy benefits from recent Government announcements.

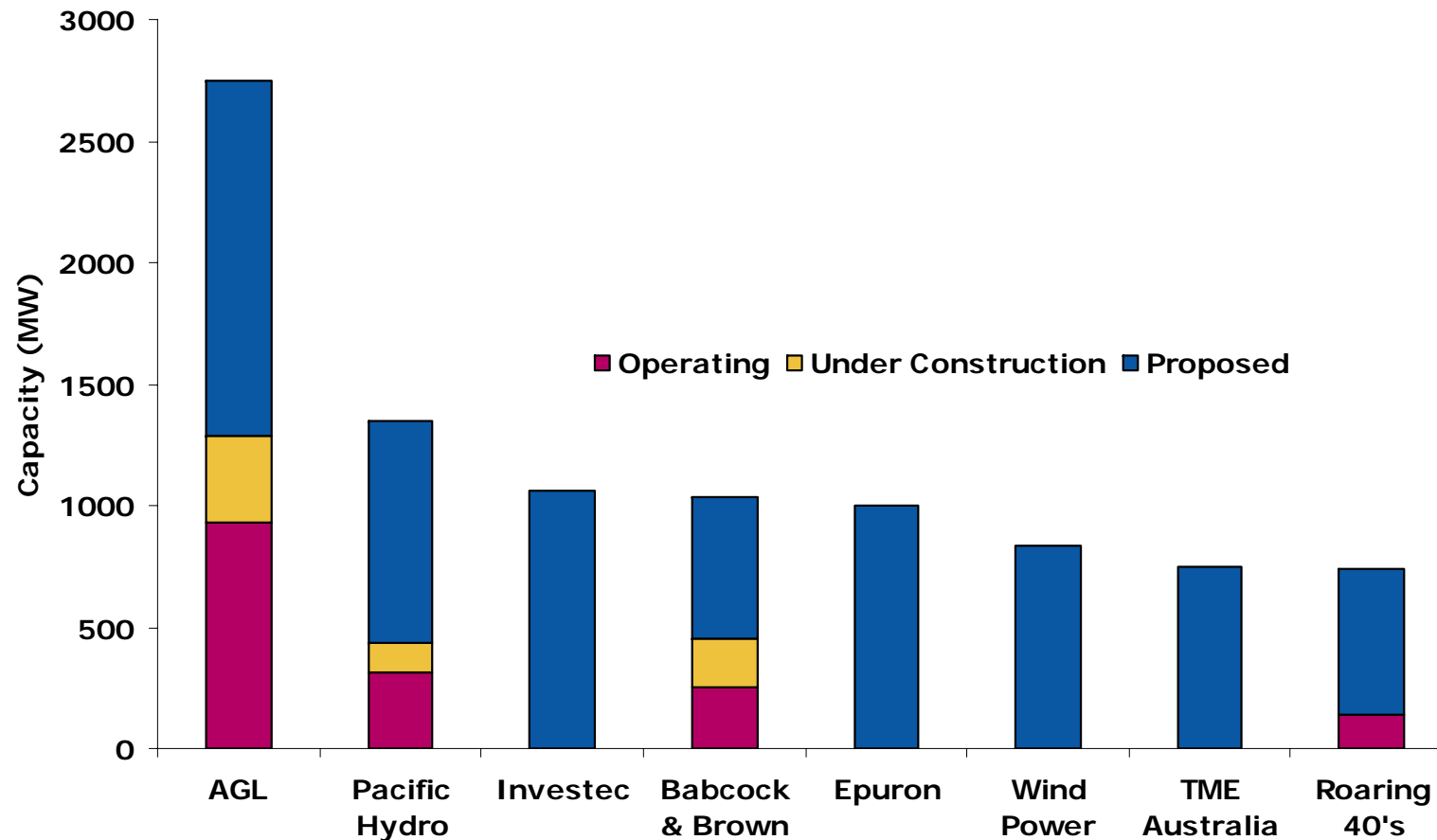


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Renewable Generation – Key Domestic Players

AGL first mover advantage dominates private investor space.



Source: NEMMCO, Geoscience Australia & AGL

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AGL – Wind Growth Pipeline

Developing a portfolio with strategic depth and optionality.

	PROJECT	NOMINAL CAPACITY (MW)	LOCATION	TYPE	PROJECT STATUS	DEFINITION
RENEWABLE GENERATION	Hallett 2	71	SA - Hallett	Wind	Under Construction	Committed
	Hallett 4	132	SA - Hallett	Wind	Under Construction	Committed
	Hallett 3	80	SA - Hallett	Wind	In Development	Probable
	Oaklands Hill	63	VIC - West	Wind	In Development	Probable
	Hallett 5	50	SA - Hallett	Wind	Permitted	Possible
	Macarthur	330	VIC - West	Wind	JV with Meridian	Possible
	Coopers Gap	300	QLD - Kingaroy	Wind	Landowner Agreements in place	Possible
	Crows Nest	150	QLD - Toowoomba	Wind	Permitted	Possible
	Worlds End	180	SA - Burra	Wind	Permitted	Possible
	Ben Lomond	150	NSW - Armidale	Wind	Landowner Agreements in place	Possible
	Other	4 Projects totalling up to ~720	Various	Various	Under Review	Possible

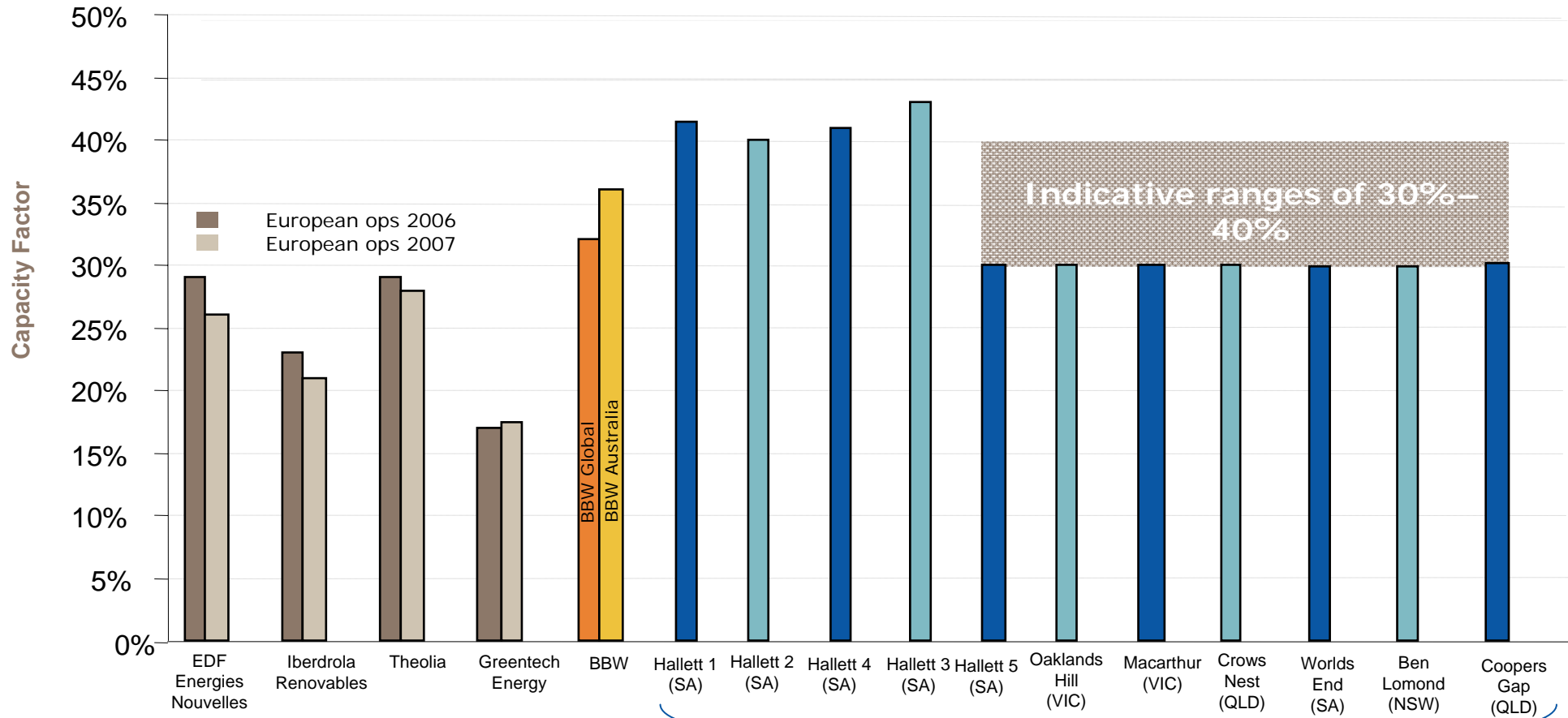
- › **Probable Projects:** Projects which are under development with an approved budget and pending final investment decision
- › **Possible Projects:** Projects where AGL holds rights to the sites and/or where the final investment decision is expected to be in excess of 12 months
- › **CAPEX:** Current AGL indicative installed capex for wind is approximately \$2.7m to \$2.9m / MW

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Wind Capacity Factors - Global

AGL portfolio has world class wind resource.



Source: Macquarie Research Equities – Report Wind farmers
(Europe) May 2008, BBW 2008 Annual Report, AGL live data & estimates

AGL Portfolio

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Wind Farm Development Process (off balance sheet option)

AGL maintains 'off' and 'on' balance sheet development optionality.

Development Process	<ol style="list-style-type: none"> 1. Site assessment <ul style="list-style-type: none"> - wind resource - grid proximity - landholder exclusivity agreements 2. Wind farm optimisation <ul style="list-style-type: none"> - site layout - equipment / turbine requirements 3. Regulatory <ul style="list-style-type: none"> - Development approval and EPBC (Environmental, Protection, Biodiversity & Conservation Act). 4. Contractual <ul style="list-style-type: none"> - Construction contracting (EPC), transmission connection and site leases 	Key Value Drivers
Financial Process	<ol style="list-style-type: none"> 5. Formulate 25 year capacity offtake agreement for RECs and electricity produced <ul style="list-style-type: none"> - Based upon current market pricing - Upside to future REC / electricity price appreciation retained by AGL 6. Formulate 25 year asset management agreement <hr/> <ol style="list-style-type: none"> 7. Project sold with offtake and asset management agreement to annuity investor <ul style="list-style-type: none"> - Annuity investor (owner) funds remaining capex / construction from date of sale - AGL maintains construction risk until construction completion - AGL takes operating risk from end of construction 8. Sale price as bid by annuity owner (valuation based on cash flows of 5. & 6.) / less AGL total project forecast construction costs = Development Profits <ul style="list-style-type: none"> - Development profits booked on percentage of completion basis in AGL accounts - Paid in cash - Construction process typically 18 to 24 months, depending on size 	Key Value Drivers

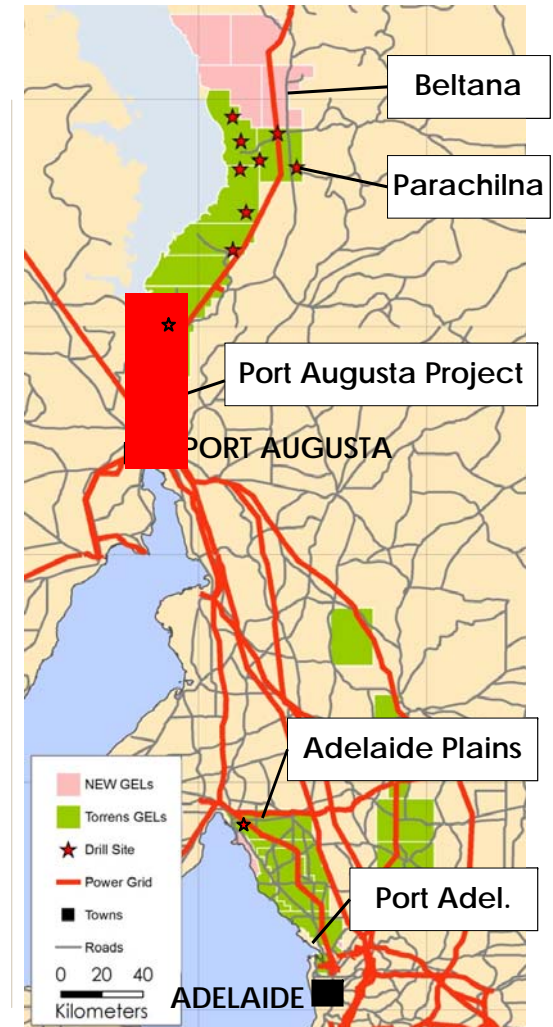
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Renewable Generation - Geothermal

Potential to deliver meaningful base load.

- › AGL holds 9.9% equity interest in ASX listed Torrens Energy (TEY)
- › AGL and TEY have 50/50 Geothermal Alliance Agreement to commercialise base load projects
- › TEY permits all adjacent to transmission grid
- › Recent heat flow rates promising
- › TEY responsible for exploration activities providing AGL option to farm-in at permit & project level
- › TEY sole fund upfront exploration & geothermal assessment of first deep well (Confirmation Well)
- › AGL may elect to sole fund drilling the Confirmation Well to earn a 50% interest in project and Geothermal Exploration Licence (GEL)
- › AGL will have right to purchase all geothermal energy



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Renewable Generation - Hydro

Bogong & McKay Creek (peaking plant) expansion.

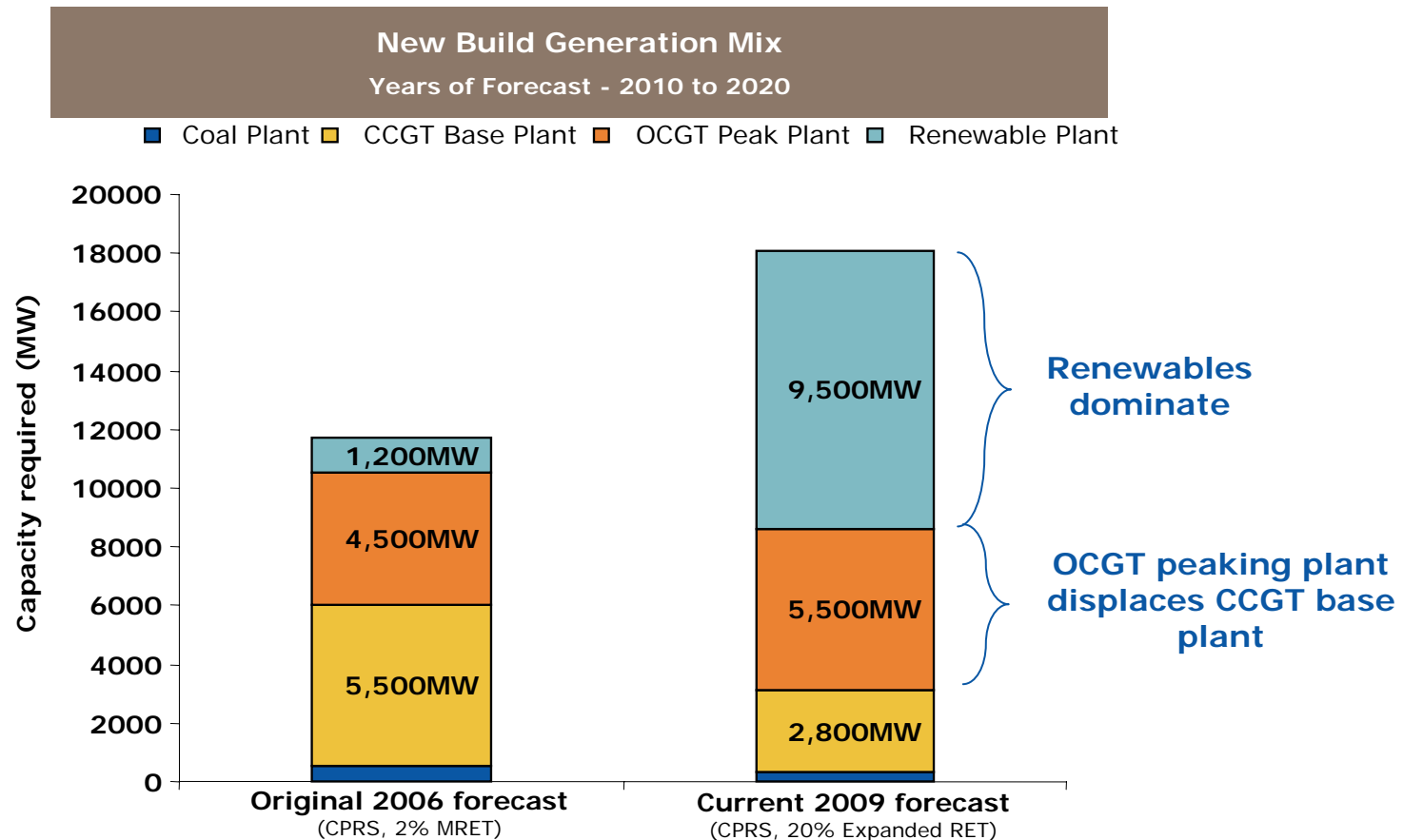
- › Australia's last, large scale hydro opportunity
- › A\$240m, Bogong 140MW peaking plant in Kiewa Valley, Victorian Alpine region
 - › minimises environmental impacts with 6.5 kilometre underground tunnel
 - › also results in 10MW McKay Creek upgrade
- › Forms part of Kiewa Scheme
- › On schedule for completion November 2009
- › Once complete, Kiewa Scheme will represent approximately 50% (390MW) of total AGL hydro capacity (790MW)
 - › fully discretionary
 - › drought resilient – inflows during current drought still result in full water replenishment 2 to 3 times annually



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Impact of Renewable Policy Settings

Fundamental changes required to generation mix.



Source: AGL Greenhouse modeling

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Gas Generation – Growth Pipeline

Developing a portfolio with strategic depth and optionality.

	PROJECT	NOMINAL CAPACITY (MW)	LOCATION	TYPE	PROJECT STATUS	DEFINITION
GAS GENERATION	Leafs Gully	360	NSW - Appin	Gas Peaker	In Development, Development Application being assessed	Probable
	Tarrone	500	VIC - West	Gas Peaker	In Development	Probable
	NQ Peaker	360	Nth QLD - Townsville	Gas Peaker	Site Acquired	Possible
	SEQ1	360	SE QLD - Ipswich	Gas Peaker	Site Secured	Possible
	SEQ2	350/800	SW QLD - Kogan	Gas Peaker / CCGT	Site Acquired	Possible
	ACT Peaker	500	ACT	Gas Peaker	Pre-Feasibility	Possible
	Other	4 Projects totalling up to 2,010	Various	Gas Peakers	Sites Secured	Possible

- › **Probable Projects:** Projects which are under development with an approved budget and pending final investment decision
- › **Possible Projects:** Projects where AGL holds rights to the sites and/or where the final investment decision is expected to be in excess of 12 months
- › **CAPEX:** Current AGL indicative installed capex for Open Cycle Gas Turbine (OCGT) plant (peaking) is approximately \$0.7m to \$0.9m / MW

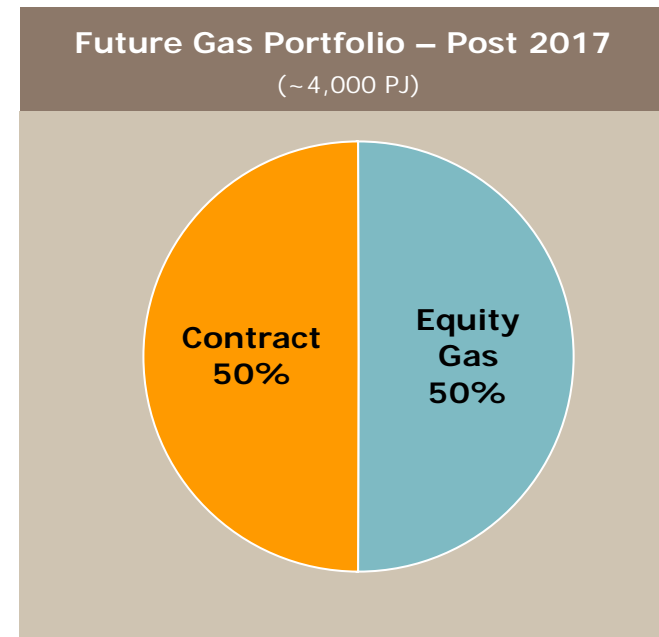
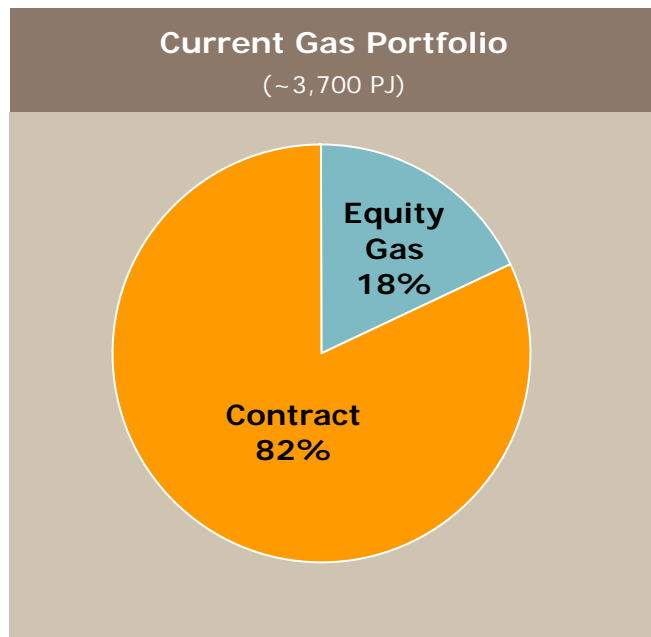
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Upstream Gas – Duration & Flexibility

Delivering on medium term strategic target of 2,000PJ equity gas.

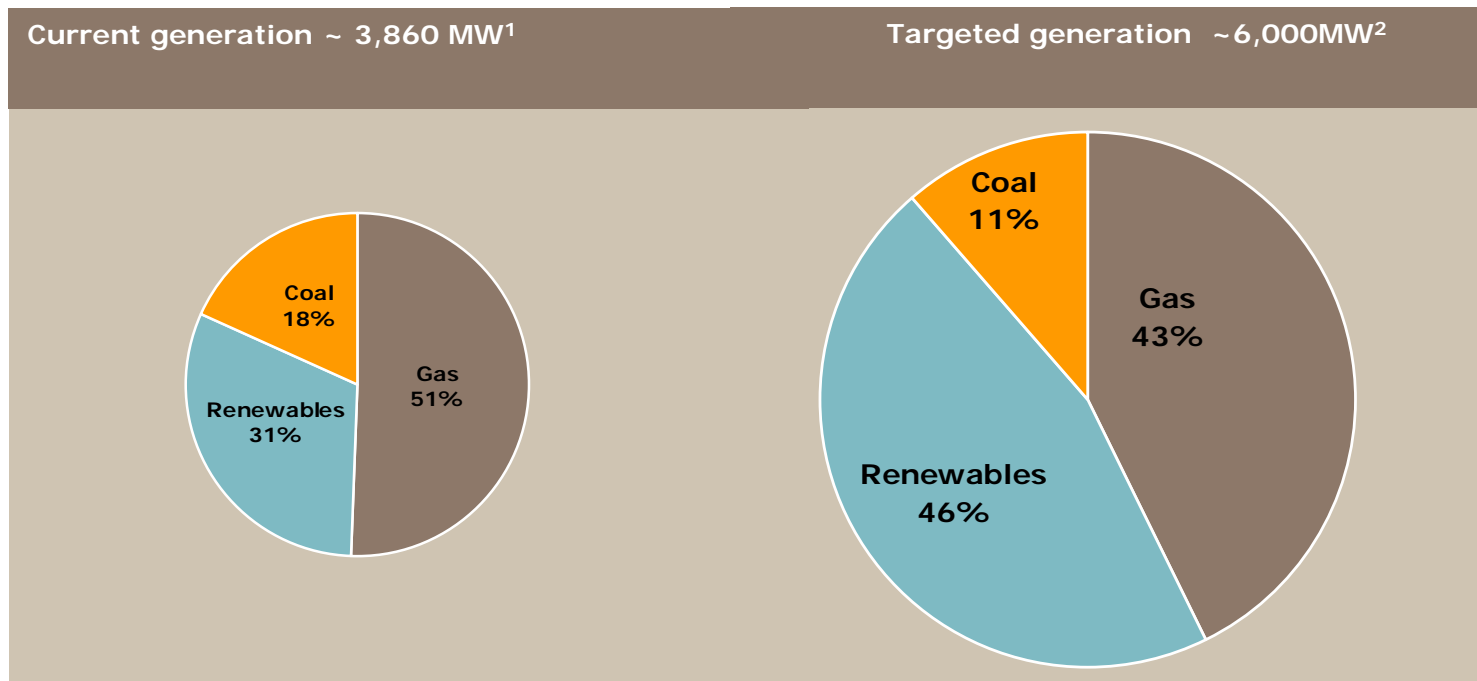
- › Domestic gas strategy focus
- › Existing portfolio flexibility allows timely development of gas production projects
- › AGL will continue to be a significant contractor of wholesale gas
- › Anticipate existing investments & Gloucester, Sydney Basin/Hunter, Galilee & Innamincka interests together with ongoing wholesale contracting will satisfy long term supply requirements post 2017



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A Carbon Effective Generation Portfolio

Current & future AGL generation portfolios are well positioned in a carbon constrained environment.



- » **Macquarie Connections – Australian Conference** 1 = Owned & / or operated including plant under construction (~350MW)
- » May 2009 2 = 1 + projects under consideration / development
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Way Forward



NSW Privatisation

Disciplined approach to industry consolidation opportunity.

- › Support privatisation – awaiting final detail of structure
- › Support Gentrader model – risk allocation details key
- › Depending on final structure, AGL remains interested in retail and/or gentrader assets
- › AGL's SAP retail solution (Phoenix) completely scaleable for any combination of retail assets
- › AGL's NSW market position makes organic growth a viable alternative
- › Regulatory price settings a key valuation issue for retail businesses
 - » Recent IPART draft (electricity) decision 'directionally' correct



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Strategic Priorities & Financial Outlook

Strategic priorities

- › Ongoing, disciplined roll out of integrated strategy:
 - » Expansion of industry leading renewables portfolio
 - » Exploration and development of gas acreage and reserves
 - » Development of gas generation portfolio
 - » Delivering benefits of Phoenix Business Transformation Program
- › Integrated strategy delivers:
 - » Ongoing growth opportunities / optionality; and
 - » Sustainable returns in dynamic economic conditions and market cycles

Financial outlook

- › Reconfirm FY09 EBITDA guidance of \$775 million to \$820 million
- › Reconfirm FY09 underlying NPAT guidance of \$370 million to \$400 million:
 - » \$352 million to \$382 million including SunGas & Powerdirect customer amortisation charge
- › Reconfirm dividend payout policy of ~60% of underlying NPAT, fully franked
 - » AGL currently scheduled to release FY09 result 20 August 2009

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Further Information / Contacts

A range of information on AGL Energy Limited including ASX & Media Releases, Presentations, Financial Results, Annual Reports and Sustainability Reports is available from our website:
www.agl.com.au

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