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ASX Release

Loy Yang Power

1 March 2010

Attached is a copy of a joint media statement issued today by Loy Yang Power and Alcoa of Australia Limited.

AGL Energy Limited (AGL) owns a 32.5% interest in Great Energy Alliance Corporation, which has the Loy Yang A Power Station as its major asset.

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About AGL

AGL is Australia's leading integrated renewable energy company and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest retail energy and dual fuel customer base. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.



australia's aluminium

Joint Media Statement

1 March 2010

New power contracts create a platform for the future

Alcoa of Australia Limited and Loy Yang Power today announced new base-load electricity contracts to power Alcoa's smelter at Point Henry, Geelong, and the Portland aluminium smelter to 2036.

The contracts take effect in 2014 for the Point Henry (Geelong) smelter and in 2016 for the Portland facility.

Alcoa of Australia's Managing Director Alan Cransberg and Loy Yang Power's Chief Executive Ian Nethercote agreed today's announcement is a landmark for the future of both companies as well as for the Victorian and Australian economies.

"Energy security in the form of long-term, base-load agreements is vital to aluminium smelters and the jobs they provide worldwide," said Mr Cransberg.

"The contracts we signed today provide a platform for Alcoa's current and future investment in regional Victoria."

The contracts are for approximately 820MW of load and, with future expansion options, could represent more than half of Loy Yang Power's generation output.

"Loy Yang Power and Alcoa both operate vital national economic assets and this contract will ensure that we continue to help power Australia's ongoing economic growth," said Mr Nethercote.

"We are particularly pleased with the agreements as they support two of our key business objectives – to deliver an efficient and profitable business as well as building a sustainable future in a carbon constrained world," he added.

As part of the new contracts, the parties have signed a 'carbon reduction agreement' which provides the opportunity to work together on a joint approach to reducing greenhouse gas emissions.

"Through the talent of our people and innovative technologies, we have reduced the direct greenhouse gas emissions at our smelters by 61% per tonne of production since 1990. The carbon reduction agreement signifies an exciting new opportunity to build on that success in partnership with Loy Yang Power," said Mr Cransberg.

"The carbon reduction agreement is consistent with Victorian and Australian government goals of a balanced and collaborative approach to facilitating Australia's transition to a lower carbon economy."



australia's aluminium

Joint Media Statement

Mr Nethercote said the agreement would underpin Loy Yang Power's existing commitment to reduce its carbon footprint while supporting the economic and social viability of the Latrobe Valley community.

"We look forward to working with Alcoa to identify key projects to achieve CO₂ reductions from our operations," said Mr Nethercote.

Mr Cransberg said the 20-year agreements are globally competitive, allow Alcoa to respond to market conditions, and provide an option for growth.

"Our smelters are valuable long-term assets that are well positioned to take advantage of an improving global aluminium market. We are committed to overcoming short-term challenges like high foreign exchange rates, and are extremely proud of the opportunity to build on our foundation of 47 years in regional Victoria."

Mr Nethercote said the contracts provided Loy Yang Power with business certainty and was a vote of confidence in the company's ability to continue to deliver a reliable electricity supply to meet Victoria's growing energy needs.

"These contracts are an important part of our business future and will require us to continue to strive for ongoing improvements and efficiencies in order to maintain business success in an extremely competitive market. These contracts and a strong commitment to continuous improvement are key elements in providing a secure future for the business, existing employees and those that follow," said Mr Nethercote.

Combined, Alcoa of Australia and Loy Yang Power employ over 2500 people in Victoria, largely in regional areas.

Alcoa is Victoria's largest exporter. The Point Henry Smelter has a rated capacity of 190,000 mtpy and is wholly owned by Alcoa of Australia Limited. The Portland smelter has a rated capacity of 358,000 mtpy. Portland Aluminium is an unincorporated joint venture project between Alcoa of Australia Limited (45%) (Alcoa), Eastern Aluminium (Portland) Pty Ltd (10%) (EAPL), CITIC Nominees Pty Limited (22.5%) (Citic) and Marubeni Aluminium Australia Pty Ltd (22.5%) (Marubeni) ("Portland Joint Venture (PJV)"). Eastern Aluminium (Portland) Pty Ltd is a wholly owned subsidiary of Alcoa of Australia Limited. Alcoa Portland Aluminium Pty Ltd (Alcoa Portland) (also a wholly owned subsidiary of Alcoa) manages the smelter.

Alcoa of Australia is 60% owned by Alcoa Inc. and 40% owned by Alumina Limited.

Loy Yang Power is the operator of the largest power station in the State and Australia's largest open cut brown coal mine. Loy Yang Power was privatised in May 1997 as part of the Victorian Government's privatisation strategy. In April 2004, Loy Yang Power was purchased by the Great Energy Alliance Corporation (GEAC).



australia's aluminium

Joint Media Statement

GEAC consists of the following shareholders – AGL (32.5%), Tokyo Electric Power Company (32.5%), Transfield Services Infrastructure Fund (14%), Motor Trades Association of Australia (MTAA) Superannuation Fund (12.8%), Westscheme (5.7%) and Statewide Super (2.5%). Its wholly owned subsidiary GEAC Operations Pty Ltd holds all the shares in the members of a Partnership which trades as Loy Yang Power partners. Loy Yang Power partners owns the power station and the mine and its trading and marketing is undertaken by Loy Yang Marketing Management Company (LYMMCo).

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All releases are available at www.alcoa.com.au and www.loyyangpower.com.au