

The National Importance of the PNG Gas Project

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Agenda

- AGL – Petronas Consortium
- Project Status of the Australian Pipeline Component
- Eastern Australian & Queensland Energy Demand
- AGL's Broader Interest in the Queensland Energy Market
- AGL Demerger & the PNG Gas Project

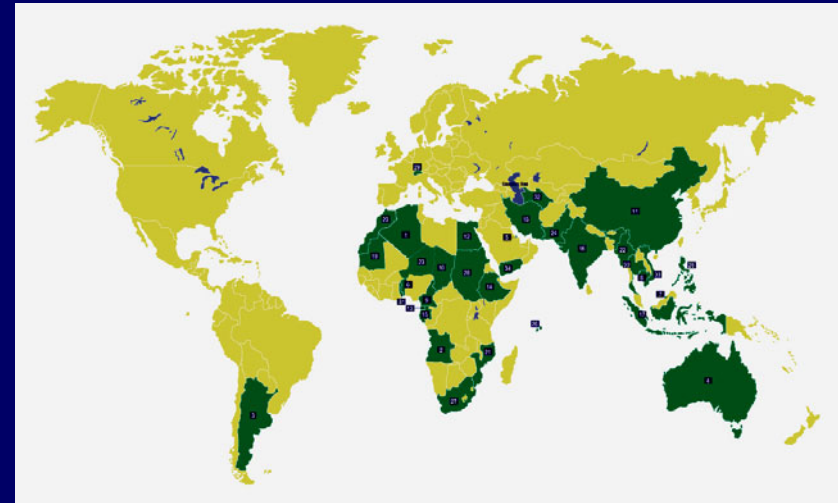
PNG-Qld Gas Pipeline - Project Overview



- ExxonMobil, Oil Search, and others are developing major PNG gas reserves sale to Australian markets
- PNG - Qld Gas Pipeline project involves transporting PNG gas to markets in Eastern Australia
- AGL-Petronas Consortium, (APC), is developing the Australian pipeline component of the project

Petronas

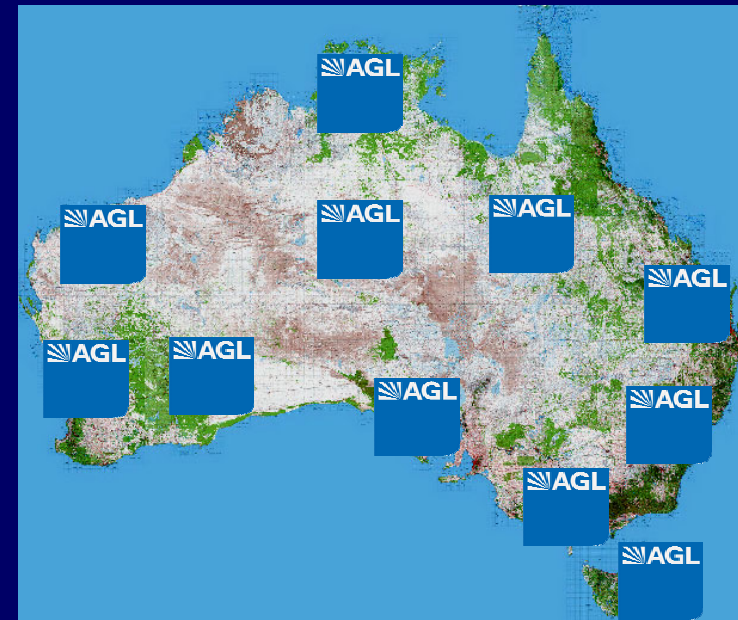
- Malaysia's national petroleum corporation established in 1974.
- Wholly government owned, vested with entire oil and gas resources in Malaysia
- Integrated international oil and gas company with business interests in 35 countries.
- 2005 Financial Performance:
 - ▶ Revenue US\$ 36bn
 - ▶ EBITDA US\$ 18bn
 - ▶ Total Assets US\$ 63bn



AGL

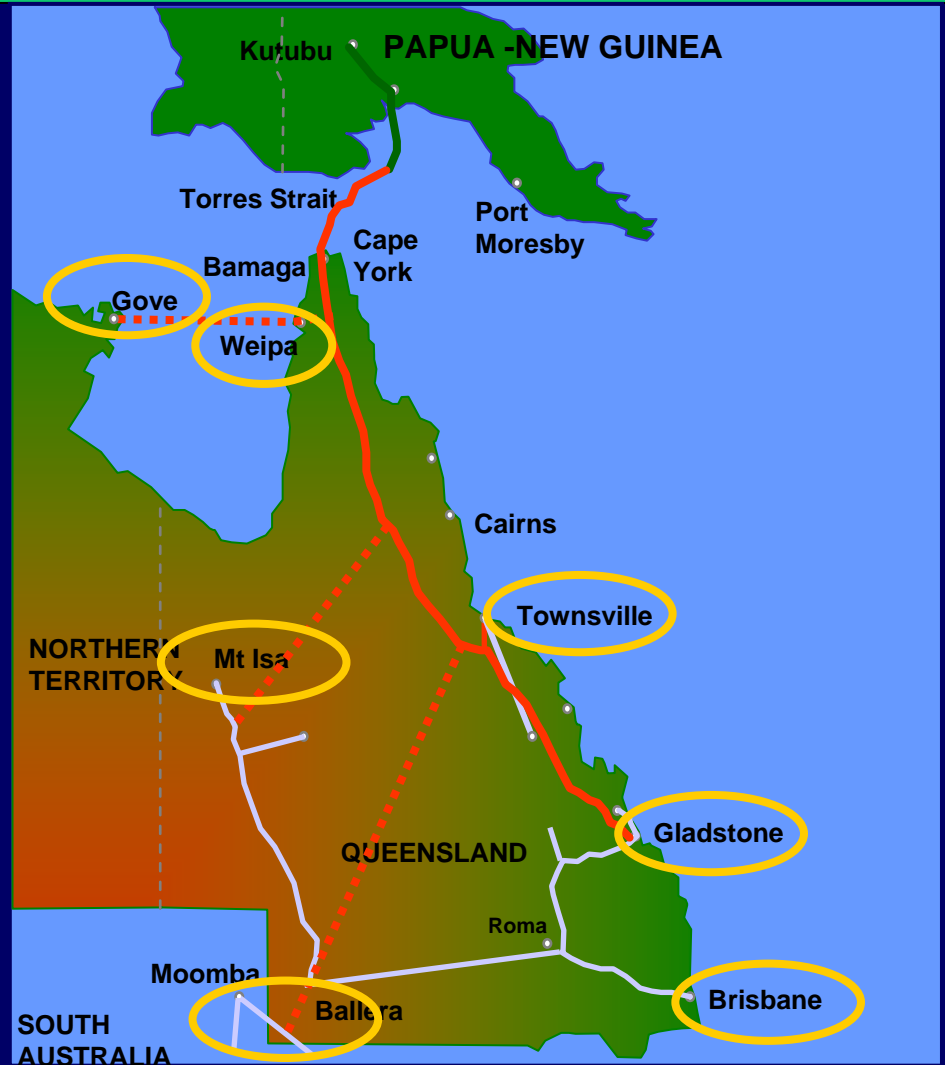
- Australia's largest energy retailer serving 2.82 million customers.
- Owner / Investor in gas & electricity distribution networks, gas transmission and electricity generation assets across Australia.
- Operator of gas & electricity distribution networks, gas transmission and electricity generation infrastructure across Australia.
- S&P/ASX 50 company
- YE June 2005 Financial Performance#:
 - ▶ Revenue AU \$ 4.18bn
 - ▶ EBITDA AU \$ 895m
 - ▶ Total Assets AU \$ 5.93bn

#Excluding significant items



Current Project Markets & Pipeline Routes

- Pipeline will deliver to markets across Eastern Australia.
- Original East Coast markets remain robust.
- New market gains over recent months - Gove, AGL (via SWQ)
- New laterals to Gove and South West
- Final route depends on final foundation markets.



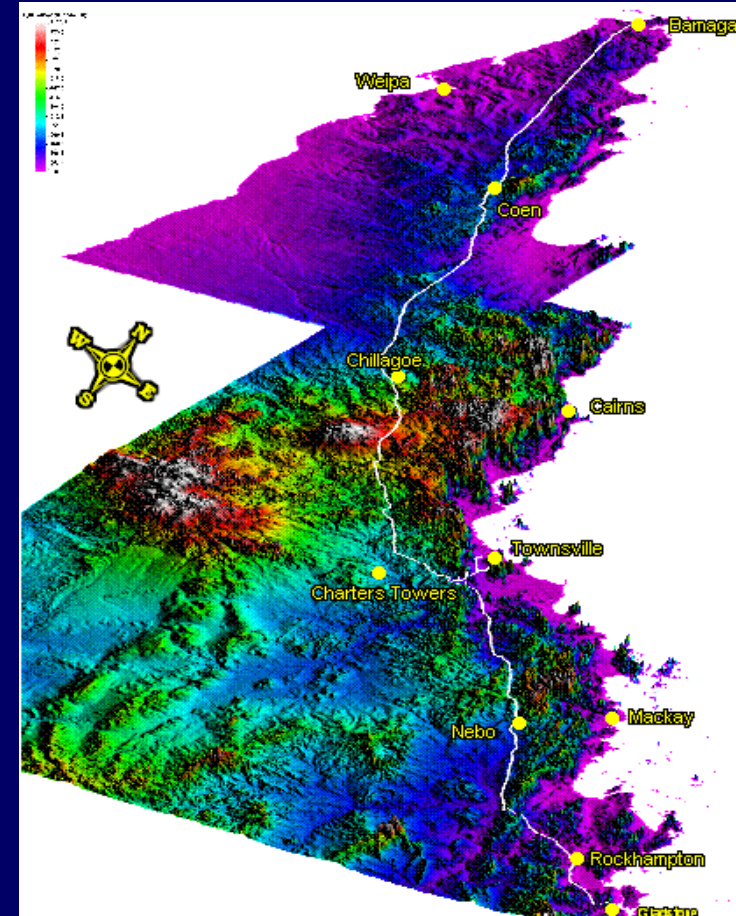
Project Metrics



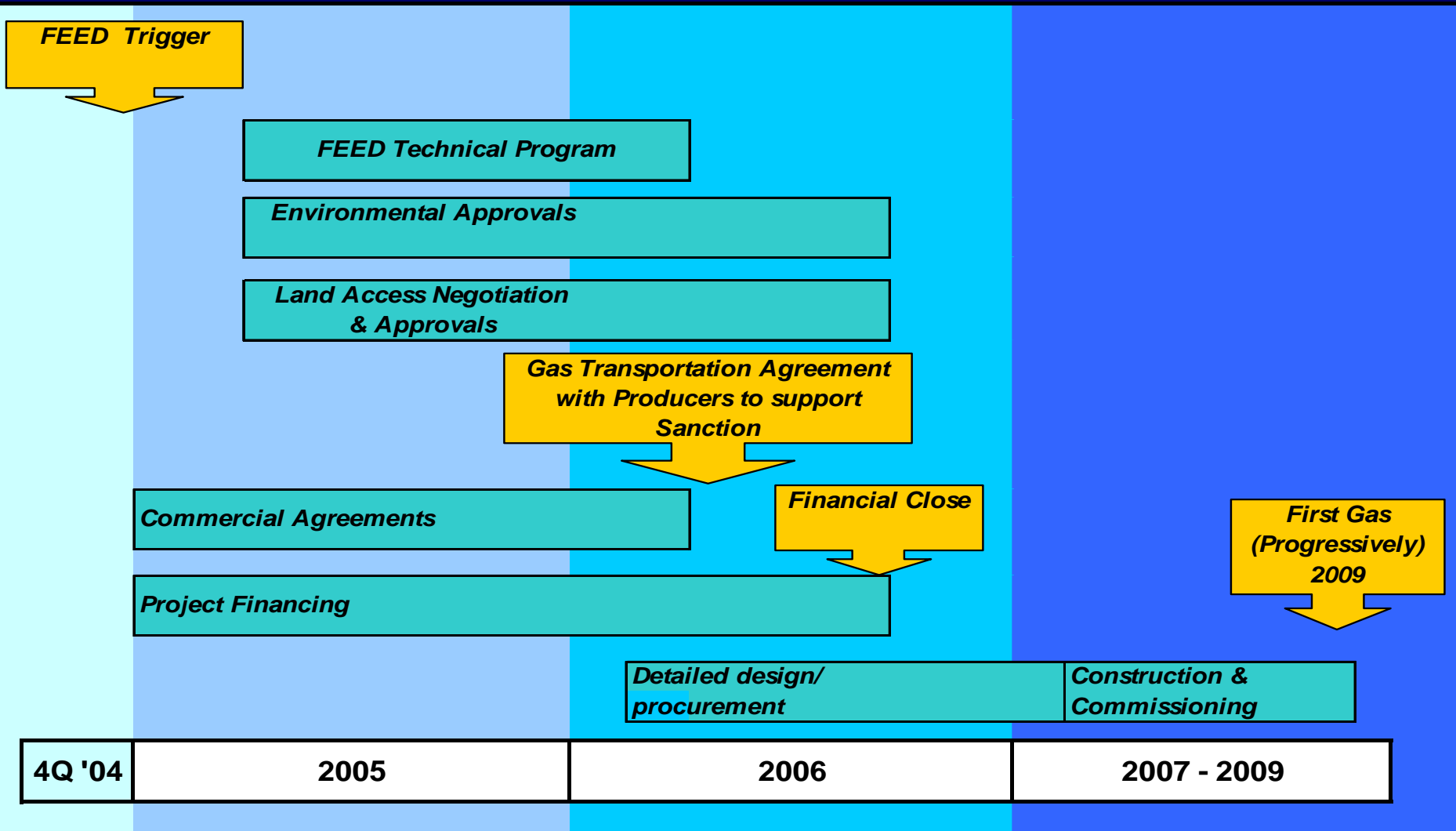
- > 3,800 km total pipeline length
- 650 km subsea component
- ~20 compressor stations (ultimately)
- 350mm - 700mm pipe diameters
- >450,000 tonnes of steel pipe
- >200,000 welded joints
- >5,000,000 tonnes excavation
- >1,500 construction jobs
- ~30 months construction period
- ~AU\$2.5-3.0 bn capital cost

FEED Status

- APC commenced Front End Engineering and Design in February.
- Progress underway on a number of fronts:
 - ▶ Route selection
 - ▶ Detailed engineering and construction planning
 - ▶ Licensing
 - ▶ Environmental approvals
 - ▶ Land Access
 - ▶ Commercial arrangements with Producers/Shippers
 - ▶ Project financing arrangements
 - ▶ Regulatory arrangements



Current APC Program



Project Outcomes

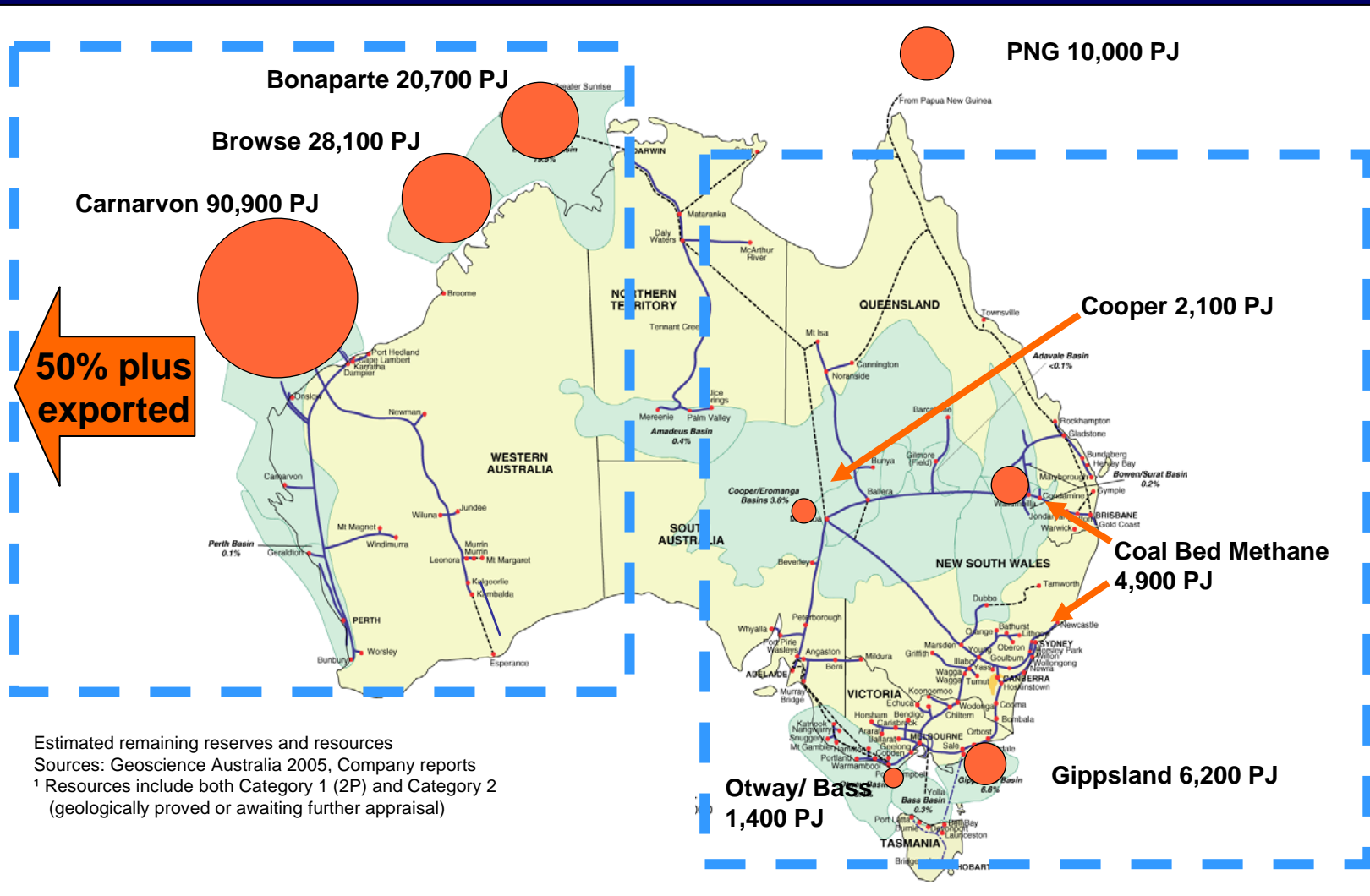
- Security of gas supply for Eastern Australia
 - ▶ A number of traditional gas sources are declining.
 - ▶ PNG Gas will support an integrated (and extensive) delivery system
- Price competition in a supply constrained market
 - ▶ Provides long term certainty of competitively priced gas supply to all users.
 - ▶ Links gas supplies (including CSM) and markets in Queensland and interstate to create active and competitive gas market.

Project Outcomes (continued)

- Underpins development of existing and new minerals projects requiring proven, large scale competitively priced gas supply.
 - ▶ Experience elsewhere (such as Western Australia) shows that once an abundant supply of competitively priced gas is made available, strong supply-led growth tends to occur.
- Supports gas fired power generation
 - ▶ Competitive reliable gas is required to achieve gas fired objectives of governments across Eastern Australia

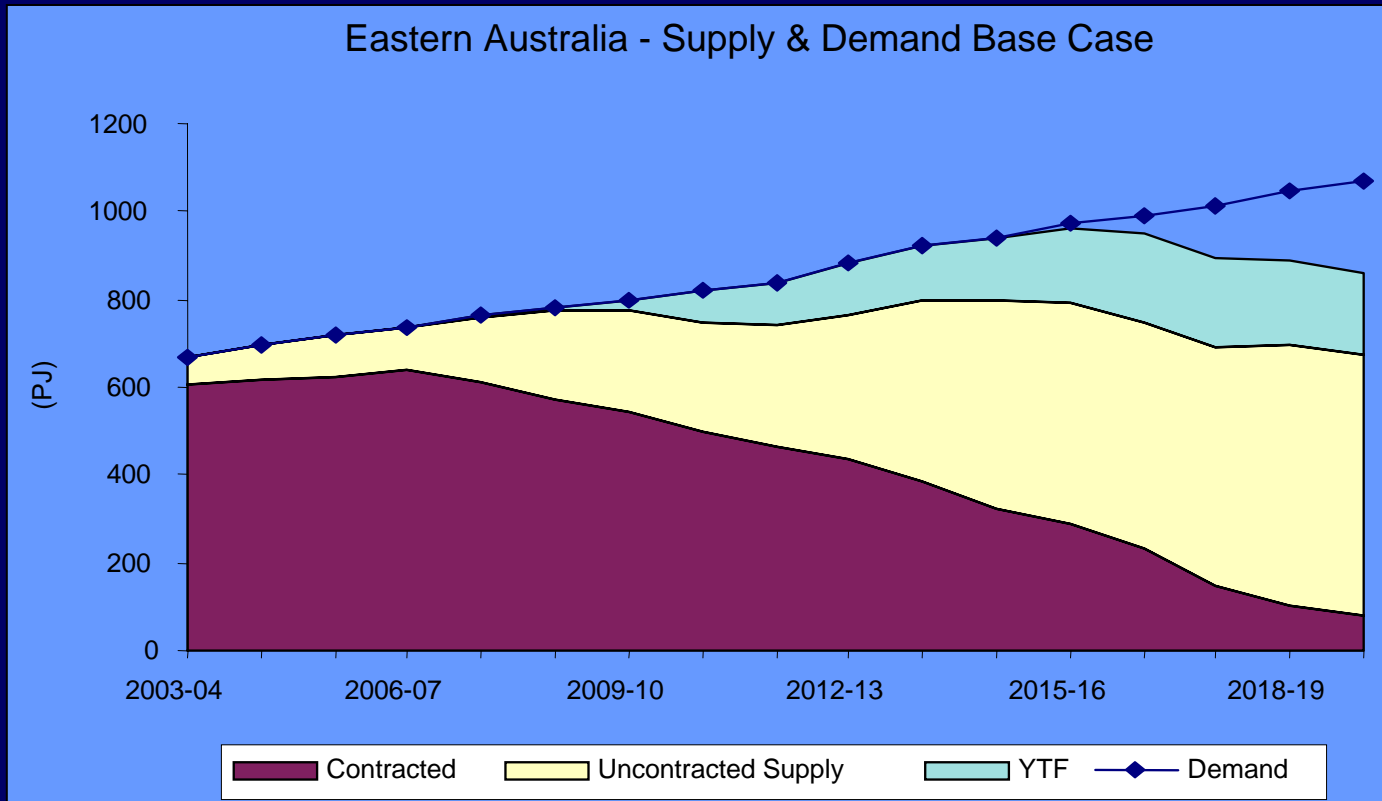


Australian Gas Resources¹



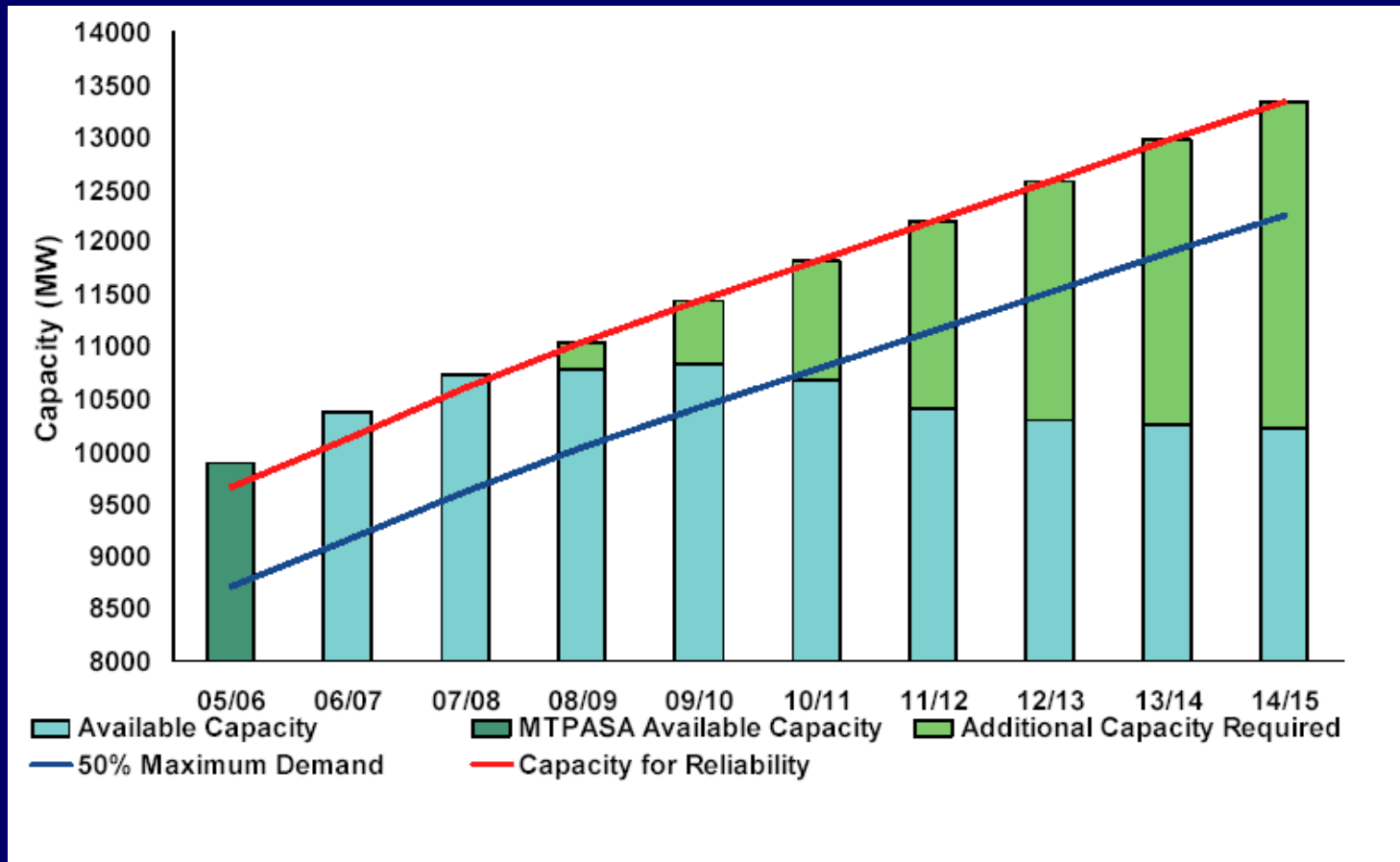
Eastern Australia - Supply Demand Implications

- Wood Mackenzie analysis suggests even with PNG, CBM & Yet-To-Find (YTF) gas a clear need for new sources of gas supply to meet demand arises from 2015



Source: Wood Mackenzie 2004

Queensland Supply and Demand ... NEMMCO's view



AGL's Broader Interest

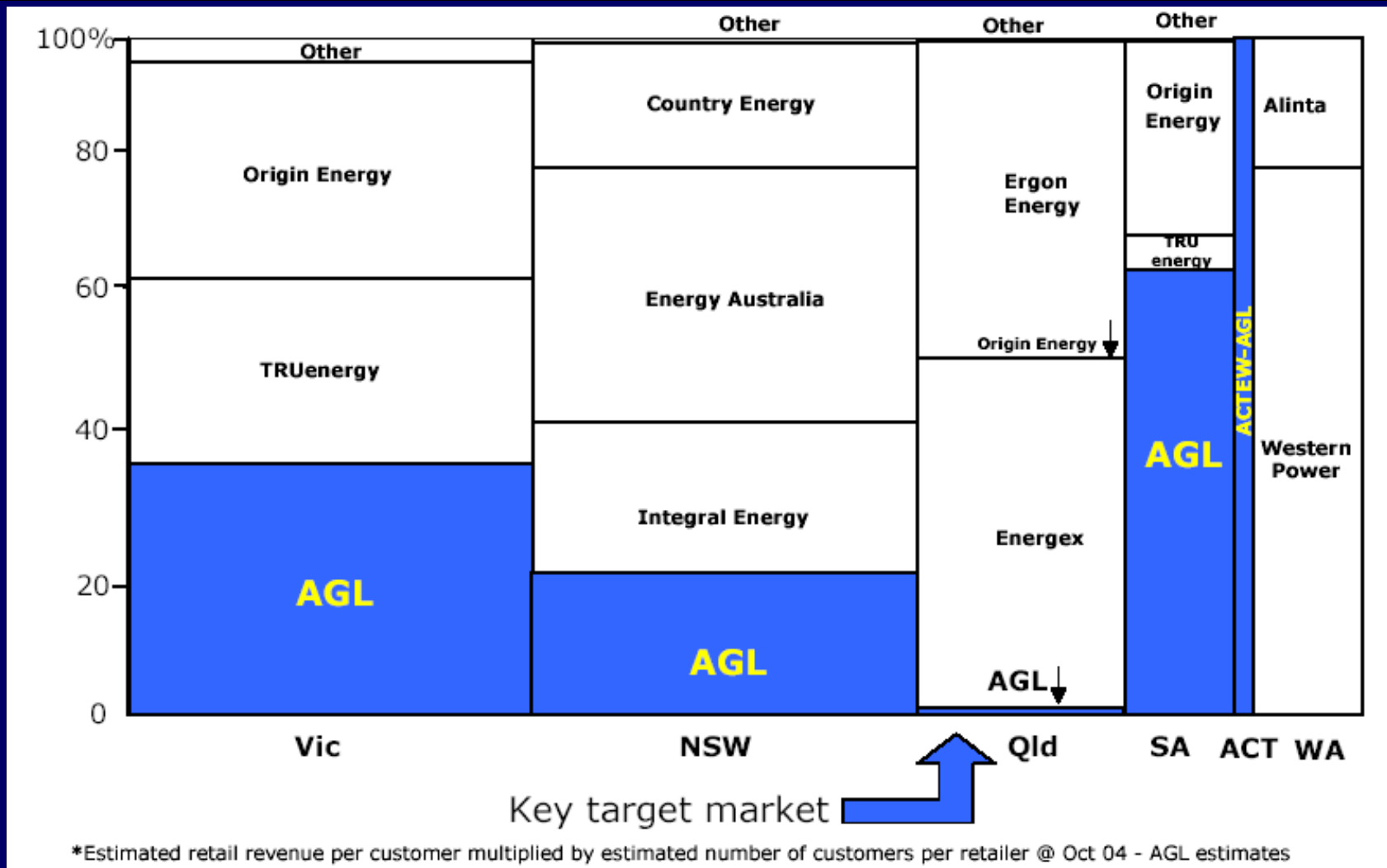
- Executed a gas supply agreement (GSA) with the PNG Gas producers for the supply of approximately 1,500 PJ of gas over 20 years commencing from 2009
 - ▶ Value of contract approximately AU\$4.5 billion
- Executed an upstream investment agreement (UIA) with Oil Search to acquire a 10% interest in PNG Gas Project through stakes in the Kutubu (PDL2) and Gobe (PDL4) licences
 - ▶ Value of investment approximately US\$300m (~AUS\$400m at current exchange rates)
- Announced a 370MW, AU\$350m gas fired power station in Townsville, fuelled by 20 PJ/a of PNG Gas

Townsville Gas Fired Power Station Development

- 370 MW gas fired base load power station
- Operational in 2009 coinciding with arrival of PNG Gas
- Total gas demand 20 PJ per annum
- Combined cycle gas turbine using latest high efficiency technology
- Typical of next generation of greenhouse-friendly power stations.
- AGL's first power generation initiative in Queensland
- PNG Gas will offer certainty that there will be more gas generation in Queensland.



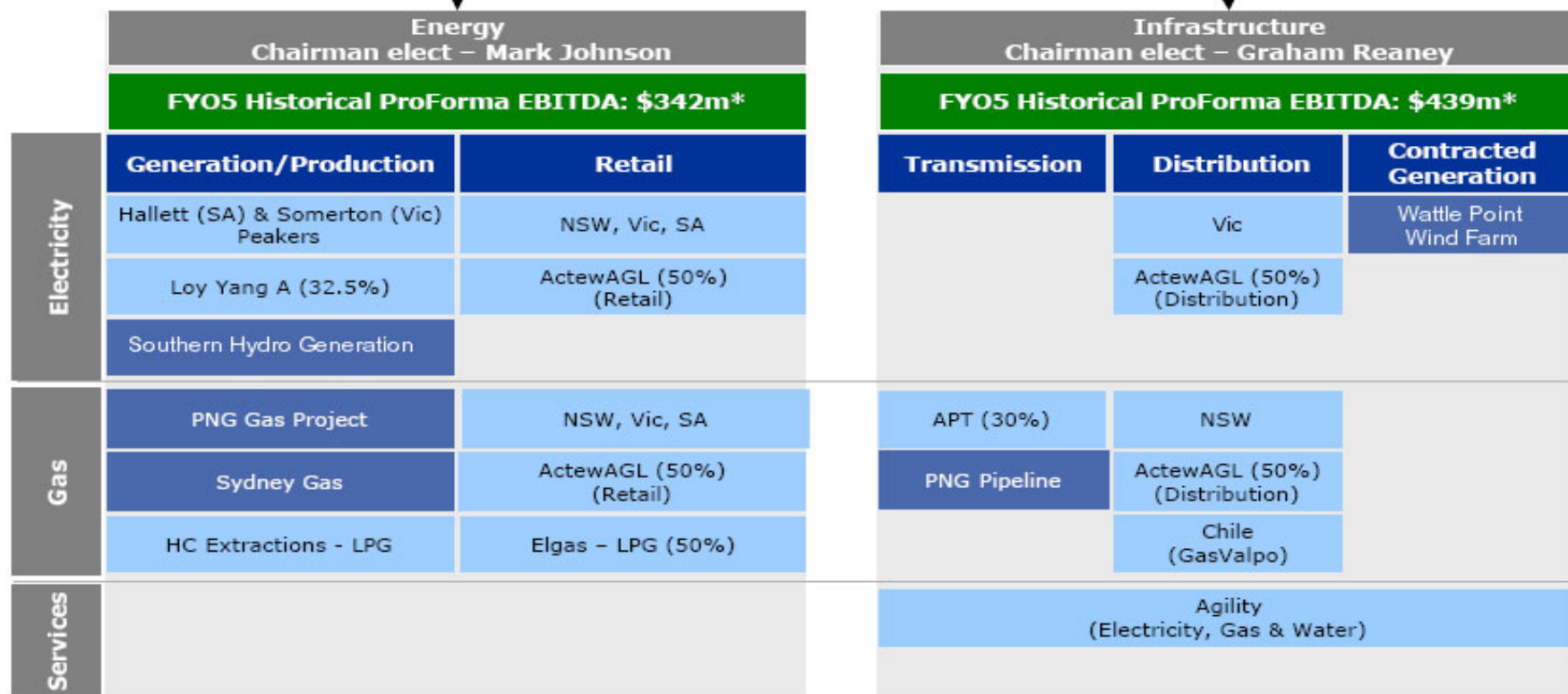
Queensland ... an opportunity for future growth



AGL Demerger – Creating Two New Market Players

- Energy Company
 - ▶ One of Australia's largest energy companies
 - ▶ Leading position in South Eastern Australia retail markets
 - ▶ A growing portfolio of generation and gas assets
 - ▶ Substantial funding capacity to execute growth opportunities
- Infrastructure Company
 - ▶ Quality gas and electricity distribution assets
 - ▶ Internal management expertise
 - ▶ Identified growth opportunities: PNG Pipeline & Agility business
 - ▶ Competitive capital structure supporting future growth opportunities
- No cross shareholdings between companies
- Clear and focused investment propositions
 - ▶ Energy Company: Strong EPS accretion, competitive fully franked dividends
 - ▶ Infrastructure Company: Predictable, growing cash flows, fully franked dividends

Proposed Structure Post Demerger



Existing Footprint Recent Announcements

* Excludes Southern Hydro & PNG Gas Project



The PNG Gas Project

A project of truly national significance