



AGL secures pipeline deal to link its gas to eastern markets

13 July 2007

AGL Energy Limited (AGL) has signed a foundation gas transportation agreement with Epic Energy which will allow the construction of a \$140 million gas pipeline to complete the final link between the Queensland, South Australia and New South Wales gas markets. This deal fits squarely with AGL's stated aim of recognising the importance of key utility infrastructure, whilst avoiding direct investment in such infrastructure by AGL.

The pipeline, known as the QSN Link, will be a 180 kilometre, 350 millimetre high-pressure gas pipeline which will transport gas from Queensland to connect with the Moomba-Adelaide Pipeline System and the Moomba-Sydney Pipeline.

AGL Managing Director Paul Anthony said the agreement will underpin the owner's financing of the pipeline and was another significant step in cementing AGL's "four corners" strategy of securing upstream gas and electricity generation linking to its downstream markets.

Mr Anthony said the pipeline will create the final link to form a truly interconnected eastern Australia pipeline network, as well as delivering gas into AGL's wholesale gas hub at Moomba at prices below existing contract levels.

"This link is strategically important in monetising and delivering the coal seam methane AGL acquired with our recent upstream gas investment in, and gas contract with, QGC," he said.

AGL has entered into an agreement for the transport of up to 390 petajoules (PJ) of natural gas along the Wallumbilla to Moomba corridor from January 2009 over a 15-year period with attractive and flexible options to increase this amount in the future. Epic Energy will build, own and operate the QSN Link and new compression facilities as an extension of its South West Queensland Pipeline.

"This AGL-Epic initiative will materially enhance the overall competitiveness of AGL's gas supplies into the east coast energy markets by driving basin-on-basin gas competition and pipeline-on-pipeline gas competition," he said.

"It will introduce new competitive sources of gas into New South Wales, South Australia and Mt Isa gas markets to facilitate our future gas-fired power generation growth, and help secure supply into all the eastern states.

"Committing to a pipeline initiative such as this one was only possible following two recent upstream and downstream investments made by AGL – the acquisition of a 27.6 per cent stake in QGC in conjunction with entering into a 20-year, 740 PJ, gas contract, followed by the recent acquisition of the Torrens Island Power Station in South Australia.

"It will support core upstream and downstream gas projects we are working on at the moment and is a further demonstration of the company's focused delivery of its strategic growth."

Following the recent winter gas shortages in southern markets, AGL has ensured an important element in the development of this pipeline project is that the pipeline design will permit gas to flow from Queensland to the New South Wales and South Australian gas markets entirely avoiding the existing Moomba and Ballera gas plants.

This will provide a level of security of gas supply to AGL's customers from 2009 onward that will be superior to other gas retailers in the market and reduce AGL's exposure to gas supply interruptions. Construction of this pipeline will commence immediately with completion of the project scheduled for December 2008.

A fact sheet for the QSN Link pipeline project is set out below.

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