Climate Statement and Commitments

2020
For almost 180 years AGL has been committed to growing and innovating with our customers, in line with community expectations, and with technological advancements.

Be it lighting Australia’s first gas lamp in 1841, importing and installing the first gas-cooking stove in 1873, or being at the forefront of developing, building and running Australia’s largest solar and wind farms in the 21st century, we have embraced innovation to make the lives of Australians and their businesses better.

Today AGL looks different to what we did all those years ago. We’ve kept pace with our changing operating environment, and are proudly Australia’s largest integrated electricity generator and retailer, as well as the largest private investor in renewable energy.

But tomorrow is coming at pace. We know that today’s operating landscape will not be tomorrow’s. And we know that as Australia’s largest greenhouse gas emitter we must continue to evolve, innovate and adapt in order to continue to serve millions of Australian households and businesses.

We believe that Australia’s energy future will be affordable and smart – delivered from renewable sources that are backed by flexible energy storage technologies which come together to power our homes, businesses and vehicles.

Importantly, it will be low emissions based and we believe Australia and Australians have the smarts and the capacity to achieve this in a way that continues to drive us forward and create new industries and opportunities for the future.

AGL is in a unique position to contribute to this future for Australia, and make a meaningful impact on the country’s decarbonisation.

Not only do our coal and gas fired generators ensure Australia’s lights remain on, they provide the financial strength for AGL to progress the transition. I am proud to say that AGL is already on this journey, and we have been for many years.

Our Climate Statement outlines the next step in our decarbonisation journey committing AGL to action in five areas to further evolve our transition plans. In delivering against our commitments, we will continue to respond to the forces of customer demand, how communities act, and how technology evolves, and play our role in achieving net zero emissions by 2050 for our business and hopefully, for the Australian economy.

I am excited for the opportunities and innovations that are ahead for us and believe that the commitments we are making will create a more sustainable future.
AGL’s vision is deliberately aspirational and designed to frame carbon as an opportunity for AGL.

We know what the long-term future of energy will look like.

Electricity from renewable sources, backed by flexible energy storage technologies will power our homes, businesses and vehicles. Energy will be both affordable and smart, and greenhouse gas emissions will be much lower, helping us to tackle climate change.

At AGL, we accept the climate science behind this vision. By 2050, we believe that Australia has the opportunity to be carbon neutral and an energy superpower. We will play our part in achieving this and target reaching net zero emissions by 2050. This will be realised by Australia generating low-cost power using zero-emissions wind and solar resources, backed up by technologies like batteries, hydro power and, for much of this transition, gas. We believe this will underpin the competitiveness of the Australian economy just as cheap fossil fuels did in the 20th century.

The pace and path of the transition to this low-carbon economy will be driven by three major forces: customer demand, how communities act, and how technology evolves.

Customers will increasingly demand carbon neutral solutions, starting with major corporations and institutions before extending to households and small businesses as costs fall. Community expectations will evolve into new actions, regulations and standards that frame our markets and create new opportunities for AGL. The development of different energy generation and storage technology costs will drive how fast the system changes.

AGL will work responsively and responsibly to harness the power of these three forces – customers, community and technology – to support and enable the transition. Consistent with our purpose, Progress for Life, AGL will act to bring to life the vision of Australia as a global clean energy leader.
AGL’s Climate Statement: Commitments

AGL will undertake a set of actions to deliver on its climate statement

In 2015, AGL committed via its Greenhouse Gas Policy not to extend the life of its coal-fired power plants. Now, as we work towards the full closure of these plants and the Australian economy transitions toward full decarbonisation by 2050, we are expanding our commitments in pursuit of the 2050 net emissions zero target. As Australia’s largest integrated electricity generation and retailing company, we recognise we have a special role to play in supporting and enabling the three major forces of change: customer demand, community expectations and the development of technology. Our five commitments are to:

Offer customers the option of carbon neutral prices across all our products. Our customers’ demand for carbon neutral products is a significant force for accelerating the decarbonisation of the energy system. We will seek to match this with viable carbon-neutral supply options for households, business and wholesale customers.

Support the evolution of Australia’s voluntary carbon markets. We will seek to supply tradeable products to underpin delivery of the carbon neutral services our customers require. This will include investments in carbon reduction in our own operations, complemented with enhanced trading capability.

Be transparent. We will engage openly with stakeholders and be transparent in disclosing our carbon emissions, risks and mitigation activities as we deliver upon the transition. Using scenario analysis, we will regularly update our forecasts for the pace and impacts on our business of this transition.

Continue investing in new sources of electricity supply. Both through direct investment and offtake agreements, we will use our balance sheet to support the development of the new renewable energy sources and flexible generation capacity the market needs to support greater penetration of intermittent renewable energy.

Responsibly transition our energy portfolio. While transitioning our energy portfolio, we will continue to run our coal-fired power stations responsibly and safely to supply affordable and reliable electricity, and we will continue supplying gas to our customers. We will support our people and local communities through change and remain flexible to how customers, community and technology shape the pace of the energy transition.
Highlights of our transition journey

2005-14
2005 - Acquires Southern Hydro.
2008 - Develops Hallett Wind Farms (SA).
2009 - Opens Bogong Hydroelectric Power Station (Vic).
2012 - Opens Macarthur Wind Farm (Vic) - the largest wind farm in the Southern Hemisphere.
2012 – Acquires the Loy Yang A power station and adjacent coal mine.
2014 – Acquires Macquarie Generation including Bayswater and Liddell power stations.

2015
2015 - Launches its first residential battery storage device into the Australian market. Releases Greenhouse Gas Policy, providing a pathway for decarbonisation. Nyngan and Broken Hill solar plants achieve full generation of 155 MW.

2016
2016 - Offers customers EV charging; and launches world's largest solar Virtual Power Plant. Releases Carbon Constrained Future Report. Lauches the Powering Australian Renewables Fund.

2017

2018
2018 - Powering a Climate Resilient Economy report released aligned with TCFD recommendations. Completed major energy efficiency projects with an annual total emissions reduction of 68,000 tCO2e.

2019
2019 - Expanded Virtual Power Plant to allow more customers to enter the program. Closes first Sustainability Linked Loan (SLL), becoming the first energy company to issue an SLL in the Asia Pacific region. Generation commences at Barker Inlet Power Station (SA), the first major dispatchable power station since 2012. Completes a large-scale battery deal with Maoneng in NSW and Dalrympie 30 MW ESCRI battery in SA with Electranet.

2020
2020 - Launches a new Carbon Neutral product. AGL signs a grid-scale battery with Vena in Qld. Climate Statement. Incorporates emission reduction metrics into remuneration. Expands TCFD scenario analysis.

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Offer customers optional carbon neutral prices products
Support evolution of Australia's voluntary carbon markets
Continue investing in new sources of electricity supply
Responsibly transition our energy portfolio
Be transparent
Oversight

AGL's Board actively considers AGL's climate impact and climate-related risks and opportunities when reviewing and setting AGL's strategy and considering AGL's investment decisions.

In April 2015, the Board approved the publication of AGL's Greenhouse Gas Policy, and in June 2020 the AGL Board approved AGL's subsequent Climate Action Statement and Commitments.

AGL's Board has established four standing committees of its members: the Audit & Risk Management Committee (ARMC); the People & Performance Committee; the Safety, Customer & Corporate Responsibility Committee; and the Nominations Committee. These committees meet regularly to oversee key risks affecting AGL's business.

The committee with the highest level of direct responsibility for climate change is the ARMC, which operates under a formal charter and comprises four non-executive and independent Directors.

Remuneration

From FY21, AGL will include carbon transition metrics in AGL's Long-term Incentive Plan (LTIP) for its key management personnel.

The metrics will include the emissions intensity of AGL's controlled generation fleet, the proportion of generation from renewable sources, and the share of total customer sales coming from green energy and other lower carbon products and services.

Risk Management

AGL recognises the risks and opportunities to our business posed by climate change. Our approach to the management of climate-related risks is embedded in our Greenhouse Gas Policy and Climate Statement and Commitments, and follows our enterprise wide risk management framework. Through this framework, we identify factors that are critical to the successful delivery of our strategy and our ability to create value into the future.

AGL's climate-related risks can be categorised into two main areas: transitional risk and physical risk. Transitional risk is made up of policy and legal risk, technology risk, market risk and reputation risk, while physical risk can be divided in acute and chronic risk.

The appropriateness of the control environment at AGL, and any further actions required, are regularly reviewed and are the subject of monitoring and reporting to AGL management and/or the Board. The determined level of residual risks trigger requirements to notify different levels of management or the Board to the risk – for example, the Board, the Audit & Risk Management Committee, the relevant Executive General Manager (or delegate), the relevant General Manager (or delegate) or the relevant Manager.

Reporting

Regular reporting enhances AGL's understanding of climate risk. Items such as AGL's Climate Statement and Commitments, AGL's Annual Report and AGL's reports in accordance with Task Force on Climate-related Financial Disclosures (TCFD) are reviewed by AGL's full Board.

AGL continually evolves its disclosures in relation to climate change risk management.
Scenarios for AGL’s Scope 1 and 2 emissions

AGL regularly reports on the outlook of emissions for existing Australian National Targets and other possible future scenarios through its Task Force on Climate-related Financial Disclosures (TCFD).

AGL’s TCFD scenario analysis allows better understanding of the potential impacts and opportunities of different scenarios on our business model and strategy. AGL will make decisions to remain resilient and well positioned to capture opportunities presented.

AGL continually evolves its disclosures in relation to climate change risk management. These scenarios are updated annually to reflect changing customer, community and technology dynamics.

* TCFD scenario analysis is updated annually
AGL's strong asset base of today remains a great foundation for the business of the future

As Australia’s largest and oldest integrated electricity generator and retailer, we play a vital role in Australia’s energy market and the wider transition.

Not only do our coal and gas fired generators ensure Australia’s lights remain on, they provide the financial strength for AGL to progress the transition.