

Carbon Offsets Policy



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Policy Overview

AGL Energy Limited: Carbon Offsets Policy	
Version	2.0
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1. Introduction and scope

This policy applies to AGL Energy Limited and all its 'controlled' subsidiary companies (together, described as "AGL").

This policy outlines AGL's planned use of carbon offsets toward achieving the greenhouse gas emissions targets outlined in AGL's [Climate Transition Action Plan](#) published in August 2025 ("2025 CTAP"), including their overall role, and AGL's approach to sourcing and verifying carbon offsets.

2. The role of carbon offsets in meeting AGL's emissions reduction commitments

2.1 Scope 1 and 2 net zero target

AGL's Scope 1 and 2 decarbonisation pathway as set out in its 2025 CTAP is focused on achieving direct reductions in its Scope 1 and 2 emissions, through the responsible closure of AGL's coal-fired power stations¹, which currently account for over 95% of its annual Scope 1 and 2 emissions². Other opportunities to reduce emissions such as through advancements in technology and efficiency improvements are also expected to play a role in directly reducing AGL's Scope 1 and 2 emissions over time. To achieve AGL's net zero Scope 1 and 2 target, AGL plans to use carbon offsets to address residual emissions where necessary³, subject to availability and viability. Residual emissions are expected to include Scope 1 and 2 emissions arising from renewable and gas-fired generation assets, storage assets, corporate facilities and other activities⁴.

Meeting AGL's Scope 1 and 2 net zero target will involve a multi-layered approach aligned to the mitigation hierarchy⁵, outlined in Table 1 below:

Table 1: AGL's approach to meeting its Scope 1 and 2 net zero target

Approach	Lever	Materiality (proportion of Scope 1 and 2 emissions) ⁶	Timing
AVOID	AGL will not invest in or operate additional coal-fired electricity generation assets.	N/A	Ongoing
REDUCE	<p>AGL will reduce Scope 1 and 2 emissions through the closure of its thermal power stations. AGL is also investing in flexible operations for its operated coal-fired power stations in the interim which will enable power stations to operate at a reduced capacity (potentially enabling lower emissions) over certain periods.</p> <p>AGL will also explore opportunities for additional reductions in Scope 1 and 2 emissions from its</p>	High (>=90%)	Bayswater Power Station is targeted to close by the end of 2033. Loy Yang A Power Station is targeted to close by the end of FY35.

¹ As outlined in AGL's 2025 CTAP, Bayswater Power Station is targeted to close by the end of 2033, and Loy Yang A Power Station is targeted to close by the end of FY35.

² As of 30 June 2025.

³ Carbon offsets will not be used toward AGL's interim gross Scope 1 and 2 reduction targets (i.e. the targets that apply before the closure of Loy Yang A Power Station), outlined in AGL's 2025 CTAP.

⁴ This does not consider potential Scope 1 and 2 emissions from any future energy hubs projects which may be operated by AGL, for which it is not possible to forecast emissions at this stage. See AGL's <2025 CTAP> for more information on energy hubs.

⁵ The hierarchy is an approach whereby the elimination of sources of emissions within the value chain of a company are prioritised over offsetting and other compensation measures (Voluntary Carbon Markets Integrity Initiative, Claims Code of Practice, 2025).

⁶ Materiality with reference to AGL's Scope 1 and 2 emissions in FY19 (baseline year for Scope 1 and 2 emissions targets).

Approach	Lever	Materiality (proportion of Scope 1 and 2 emissions) ⁶	Timing
	broader operational portfolio over time, such as renewable energy sourcing, energy efficiency, electrification and fuel switching.		
OFFSET	Following the closure of AGL's coal-fired power stations, AGL plans to use carbon offsets to help achieve AGL's net zero Scope 1 and 2 emissions target where necessary.	Low ($\leq 10\%$)	Following closure of AGL's coal-fired power stations

2.2 Scope 1, 2 and 3 net zero ambition

In alignment with the mitigation hierarchy, AGL's Scope 3 decarbonisation approach is currently focused on delivering direct emissions reductions. As part of AGL's ambition to be net zero for Scope 1, 2 and 3 by 2050, AGL has set an ambition to directly reduce Scope 1, 2 and 3 emissions by 90% relative to FY19 levels by 2050. AGL recognises that high quality carbon offsets and other negative emissions technology solutions may be needed to meet a net zero by 2050 ambition for Australia's economy.

3. Carbon offset credibility considerations

The general considerations for assessing the credibility of carbon offsets that AGL uses to help meet its net zero targets and ambitions are outlined in Table 2 below. AGL will take these factors into consideration when deciding which offsets to use. The approach that AGL takes to evaluate carbon offset quality will evolve over time as necessary to adapt to updated regulations, policies, standards, consumer preferences, and industry practice as domestic and international carbon markets mature.

Table 2: Considerations for assessing credibility of carbon offsets used toward meeting AGL's emissions reduction targets

Principle ⁷	Consideration
Effective governance	Offset projects should aim to have effective program governance to ensure transparency, accountability, and the overall quality of carbon credits.
Tracking	Offset projects should aim to operate or make use of a registry to uniquely identify, record, and track mitigation activities and carbon credits issued.
Transparency	Offset projects should aim to provide comprehensive and transparent information on all credited mitigation activities.
Verification	Offset projects should aim to be independently verified through recognised national/international standards by an independent, appropriately qualified third party for alignment with these principles.
Additionality	Offset units should aim to be additional, i.e., they would not have occurred in the absence of the incentive created by carbon credit revenues, and to avoid double counting.
Permanence	Offset units should aim to meet permanence requirements per a recognised national/international standard.
Measurable	Offset units should aim to be robustly quantified, based on conservative approaches, completeness and scientific methods.
Sustainable development	Offset projects should aim to ensure mitigation activities conform with widely established industry best practices on social and environmental safeguards while delivering positive sustainable development impacts.
Vintage	Time between the use of an offset to the time when that offset was created should aim to be in line with an industry standard (i.e., preferably less than five years).

⁷ Principles informed by The Integrity Council's Voluntary Carbon Market core carbon principles - <https://icvcm.org/core-carbon-principles/>

Principle ⁷	Consideration
Type	Different types of offsets, including nature-based and based on technological carbon removals, including through carbon reduction and removal, may be considered as part of AGL's portfolio of offsets for use towards achieving AGL's Scope 1 and 2 emissions reduction targets.
Co-benefits	Projects offering additional co-benefits may be considered as part of AGL's portfolio of offsets.

4. Transparent disclosure on use of carbon offsets

AGL will annually disclose the quantity of offsets used (if any) to reduce its net emissions profile and meet its emissions reduction targets and ambitions. This will include information on the quantity, project details, certification standard and vintage.

6. Updates to this policy

AGL will regularly review this policy in alignment with AGL's climate transition plans publication timeline, and in the event of any significant changes to AGL's strategy.