



AGL Greenhouse Gas Policy

April 2015

AGL agrees that deteriorating air quality and climate change are critical issues facing the global community. Currently, fossil fuels provide 88% of Australia's electricity generation. However, with the development of new technologies such as embedded solar PV, battery storage, large-scale renewables and carbon capture and storage (CCS), the electricity sector is likely to undergo significant change over the coming decades.

AGL is an integrated energy company providing reliable and affordable energy to millions of homes and businesses. AGL's assets include large emitters of greenhouse gases (GHG). However, AGL is also Australia's largest private owner and operator of renewable energy assets.

AGL is committed to responsibly engaging with all our stakeholders (customers, investors, communities, policymakers and employees) to develop a shared understanding of the best ways for Australia to reduce its GHG emissions.

Climate Change Science

The Intergovernmental Panel on Climate Change AR5 Report states:

- warming of the climate is unequivocal;
- anthropogenic emissions are extremely likely to be the cause; and
- risks associated with climate change are reduced substantially if warming is limited to less than 2°C above pre-industrial levels.

Achieving this outcome would require complete decarbonisation of the world economy by 2100 and emission reductions of up to 70% by 2050.

Emission Reductions

AGL supports the Commonwealth Government's commitment to work towards a global agreement to limit global warming to less than 2°C above pre-industrial levels (2°C goal). Continued use of coal and gas for power generation by mid-century is likely to be dependent upon cost-effective deployment of very low emissions technology, such as Carbon Capture & Storage (CCS).

Long-term policy certainty is a pre-requisite for decarbonisation to occur efficiently and affordably for consumers. Both renewable and lower-emission fossil fuel generation will form an integral part of the energy generation mix throughout the transition to a low-emission global economy.



AGL Commitment

AGL commits to being a transparent and constructive stakeholder. Our public policy advocacy and internal approach to GHG mitigation will be reported in our Annual Sustainability Report. AGL specifically makes the following commitments:

- AGL will continue to provide the market with safe, reliable, affordable and sustainable energy options.
- AGL will not build, finance or acquire new conventional coal-fired power stations in Australia (i.e. without CCS)¹.
- AGL will not extend the operating life of any of its existing coal-fired power stations.
- By 2050, AGL will close all existing coal-fired power stations in its portfolio.
- AGL will improve the greenhouse gas efficiency of our operations, and those in which we have an influence.
- AGL will continue to invest in new renewable and near-zero emission technologies.
- AGL will make available innovative and cost-effective solutions for our customers such as distributed renewable generation, battery storage, and demand management solutions.
- AGL will incorporate a forecast of future carbon pricing into all generation capital expenditure decisions.
- AGL will continue to be an advocate for effective long-term government policy to reduce Australia's emissions in a manner that is consistent with the long-term interests of consumers and investors (see Appendix 1 for AGL's approach to public policy).

¹ The term conventional is used to refer to coal-fired power plants that have a higher lifecycle emissions intensity than a combined cycle gas turbine (CCGT).



Appendix 1 – AGL and Public Policy

Australia currently produces 88% of its electricity from the combustion of fossil fuels. Meeting Australia's emission reduction commitments that are consistent with a '2 degree goal' will require a transition over several decades. Government policy should reflect the transitional nature of the problem and the essential service nature of a reliable and affordable supply for electricity users.

As a significant exporter of fossil fuels, Australia also has a strategic interest in managing risks and opportunities associated with international climate change policy. Development and deployment of new or improved near-zero emission technologies (e.g. CCS) should be a focus of domestic GHG reduction policy due to the value at risk of reduced Australian exports.

It is important that governments set both binding and aspirational medium and long-term emission reduction targets. AGL supports the use of both regulatory and market-based policy mechanisms to deliver the required emission reductions. Importantly, a range of policies are likely to be needed.

Governments should consider targeted policies for key industries such as electricity generation, specifically:

- emissions standards for all new power stations²;
- regulation which drives the progressive closure of older, emissions-intensive power stations or retrofitting with CCS technology³; and
- continued incentives for renewable energy with increased scope to include all zero and near-zero emission energy sources⁴.

Such policies would facilitate a gradual but meaningful reduction in electricity sector emissions, which comprise around one-third of the Australian total.

² This policy has been implemented in the US through the *Climate Action Plan and Clean Air Act*.

³ This policy has been implemented in Canada through the *Reduction of Carbon Dioxide Emissions from Coal-Fired Generation of Electricity Regulations* which require power stations that have reached the end of their useful life (i.e. 50 years) to retire or retrofit CCS technology.

⁴ This policy was an election commitment in 2007 of the incumbent Commonwealth Government.