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ASX statement

5 May 2010

Attached is a presentation to be made today by Michael Fraser,
Managing Director and CEO at the Macquarie conference in Sydney.



Paul McWilliams
Company Secretary



AGL Energy Limited

Renewable energy: Policies set for growth

Michael Fraser, Managing Director and CEO



Macquarie Conference - Sydney

5 May 2010

AGL External

Disclaimer

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- › Does not take into account the potential and current individual investment objectives or the financial situation of investors.
- › Was prepared with due care and attention and is current at the date of the presentation.
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Agenda

- > **S&P revised treatment**
- > **Drivers of renewable energy globally**
- > **Domestic policy settings**
- > **AGL's Wind strategy**
- > **Upstream Gas – Creating value**
- > **NSW Electricity Privatisation**
- > **Summary**

S&P revises treatment of wind farm PPAs¹

Significant enhancement in capital efficiency.

- › S&P spent considerable time understanding risks associated with PPAs
- › 50% reduction in the notional capital to be applied to PPAs
- › AGL's balance sheet capacity immediately improved by ~\$360 million
 - › Maintaining BBB rating is important for business purposes
 - › Increases capacity to around \$900 million
- › Improved capital efficiency substantially enhances AGL's ability to fund future growth

1. Power Purchase Agreements

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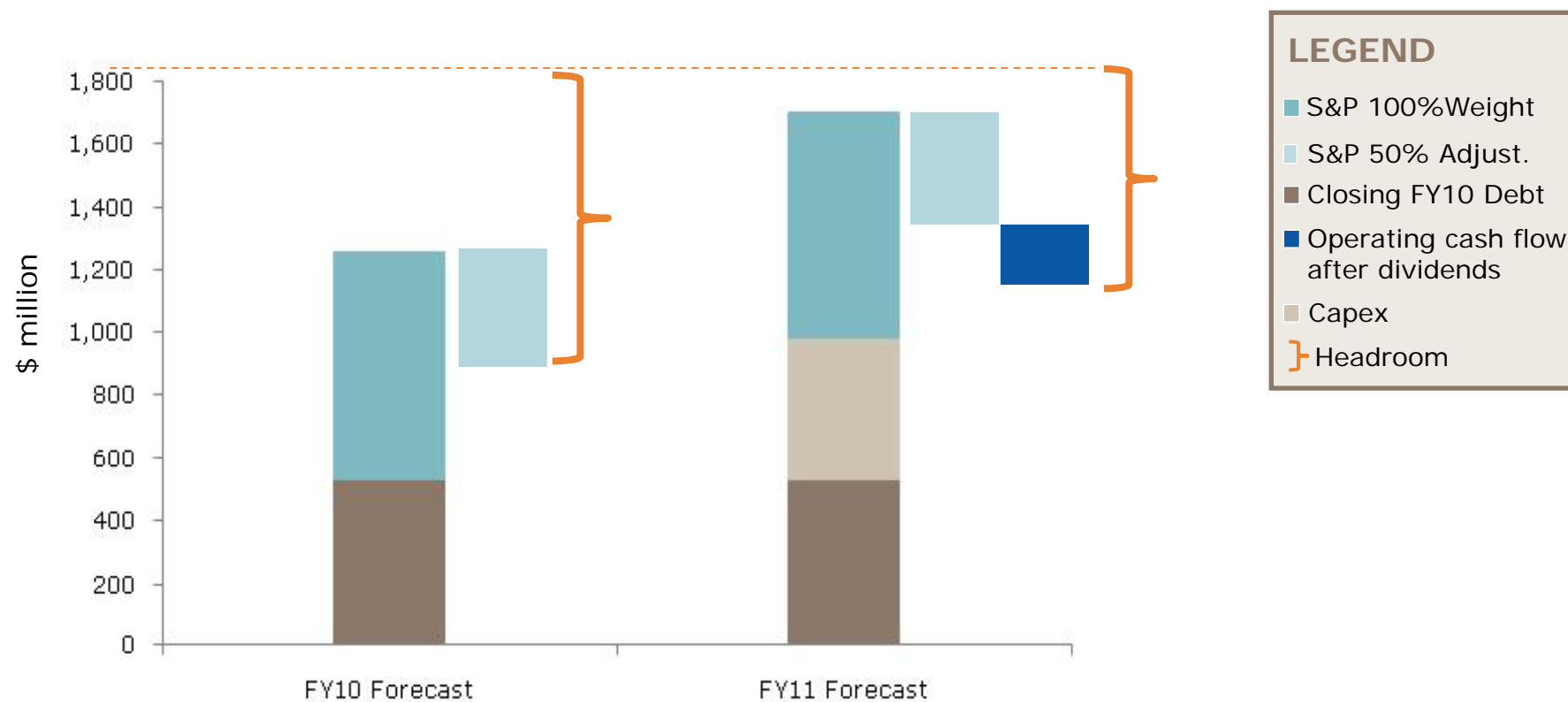
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Debt Capacity

AGL has significant headroom to fund organic growth.

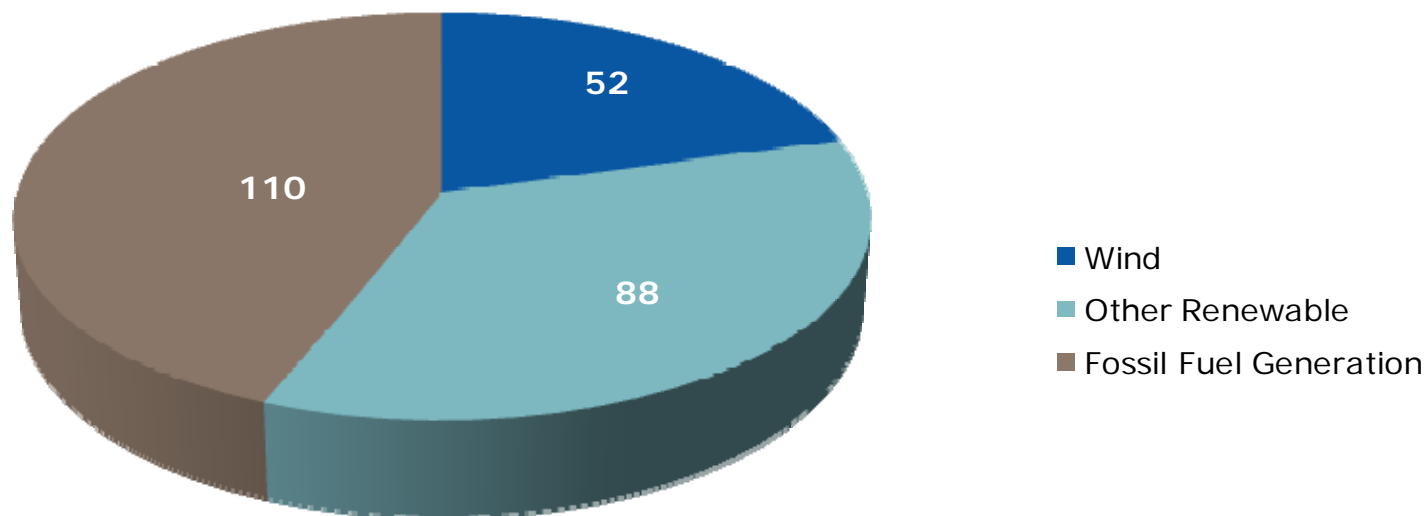


Renewables: A global growth story

Majority of newly installed capacity globally was renewable.

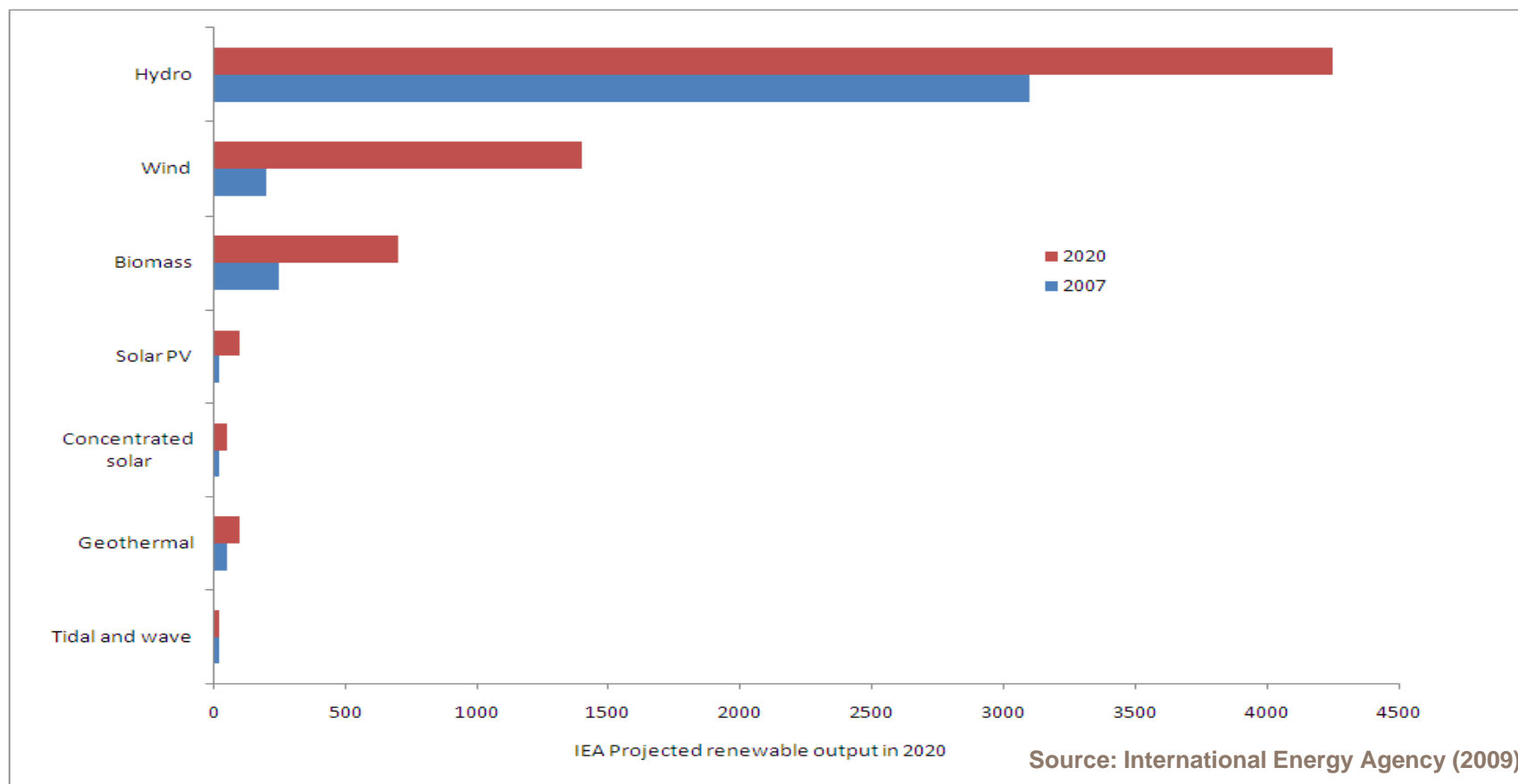
\$US bn 2008

Source: New Energy Finance (2009)



Renewables: A global growth story

Wind and Hydro the primary renewable energy sources.



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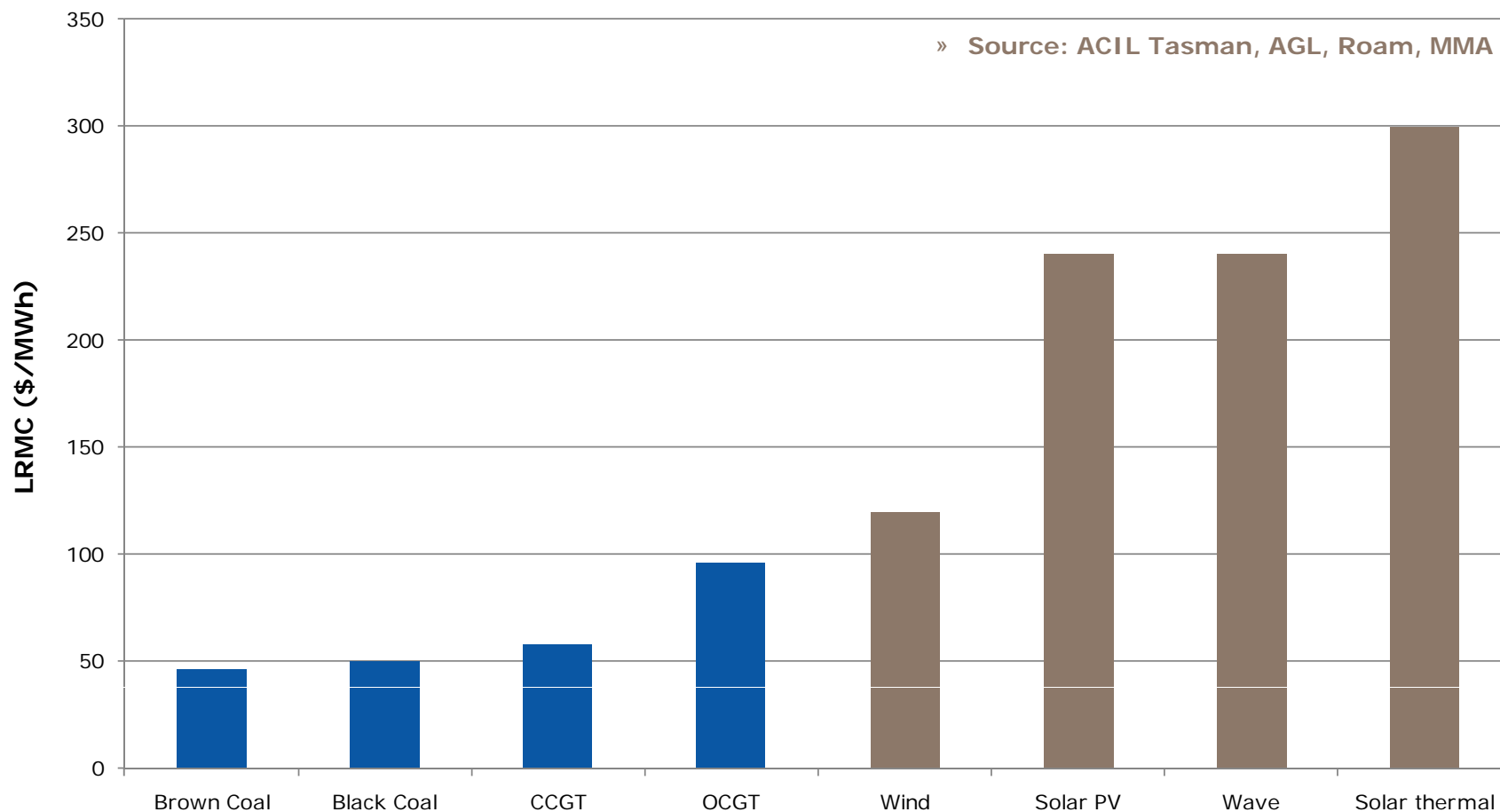
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Technology cost curve

Wind currently has a substantial cost advantage.



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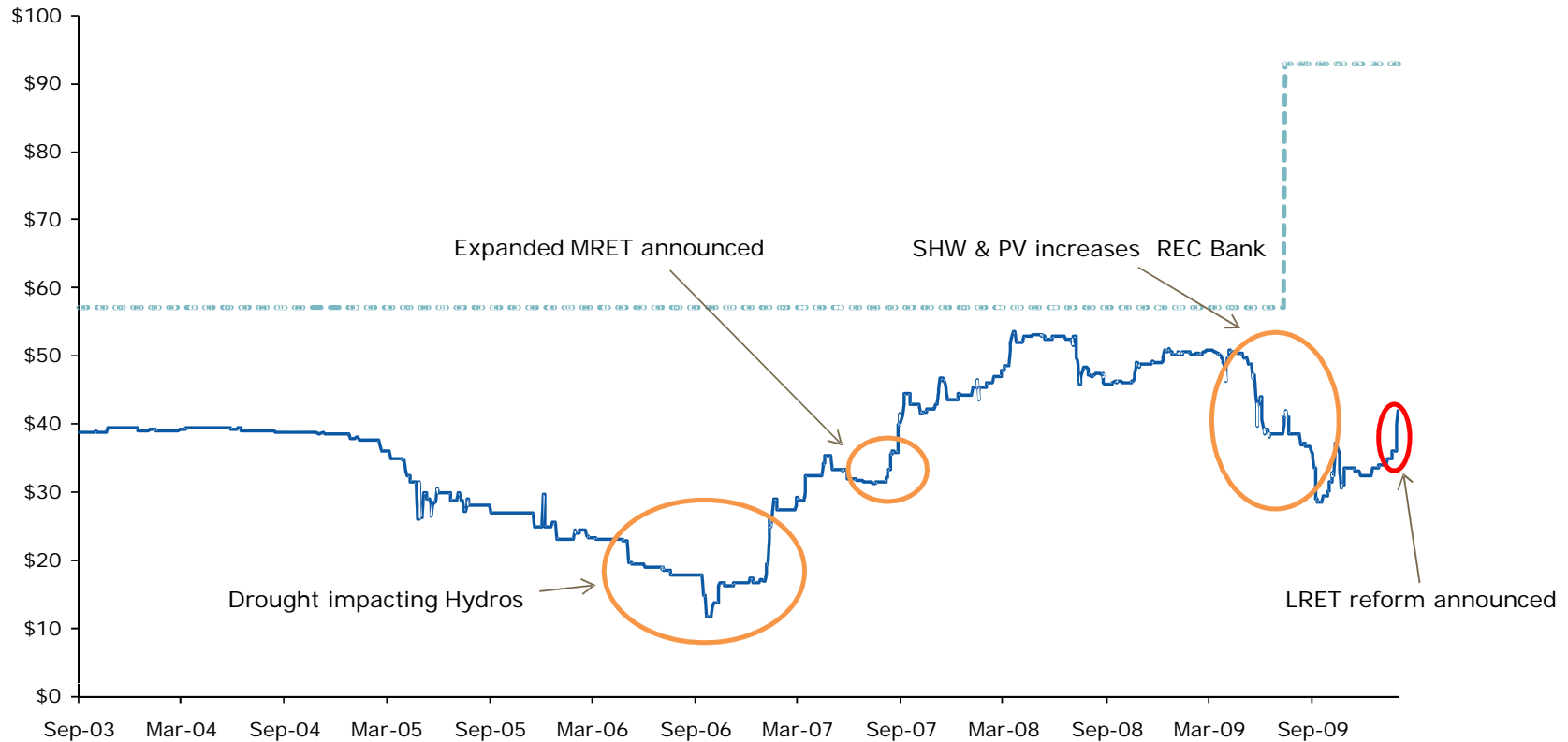
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REC prices reflect policy uncertainty

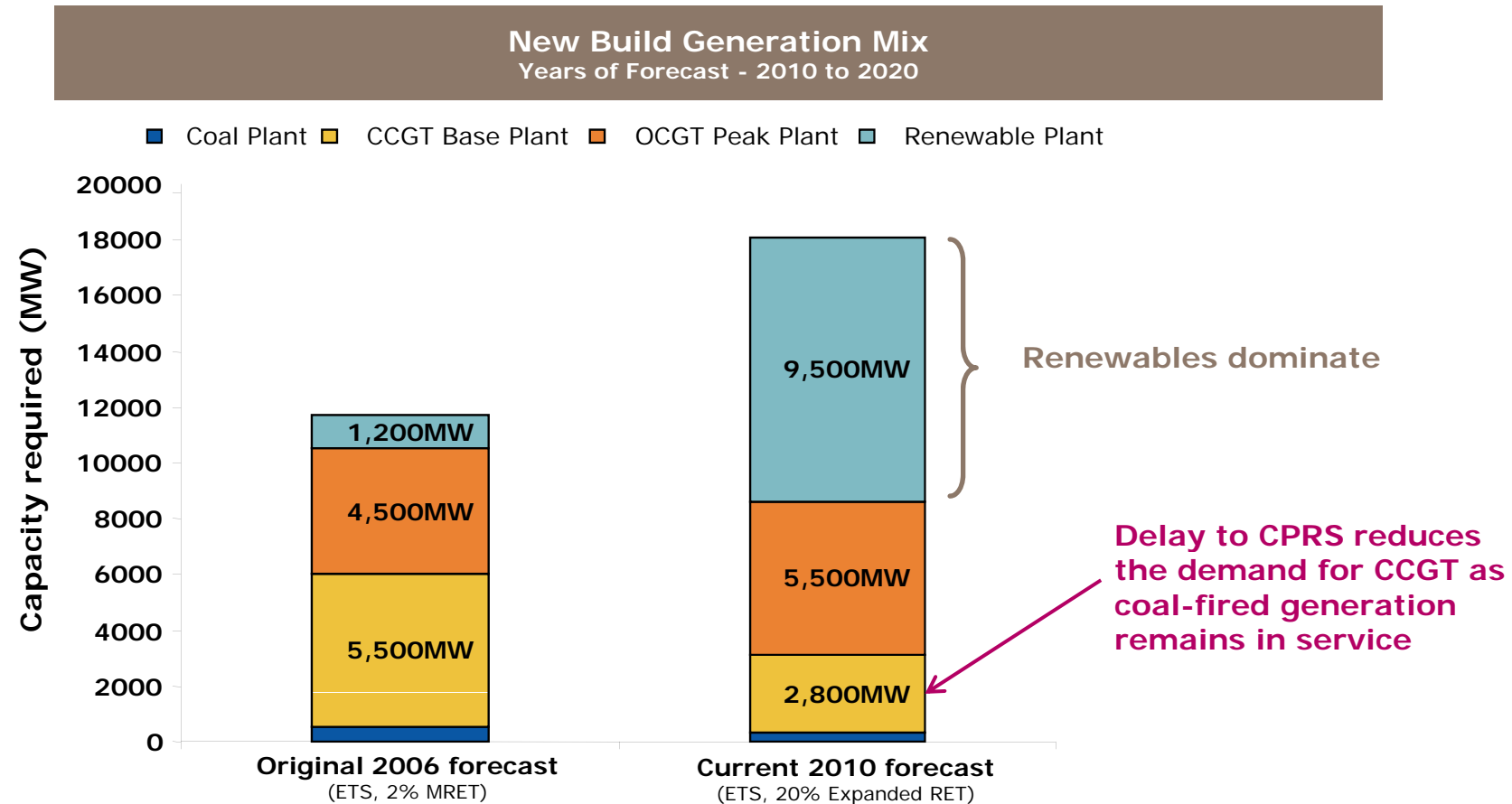
Penalty raised to reflect rising cost of renewable projects.

\$/REC



Impact of Renewable Policy Setting

Fundamental changes required to generation mix.

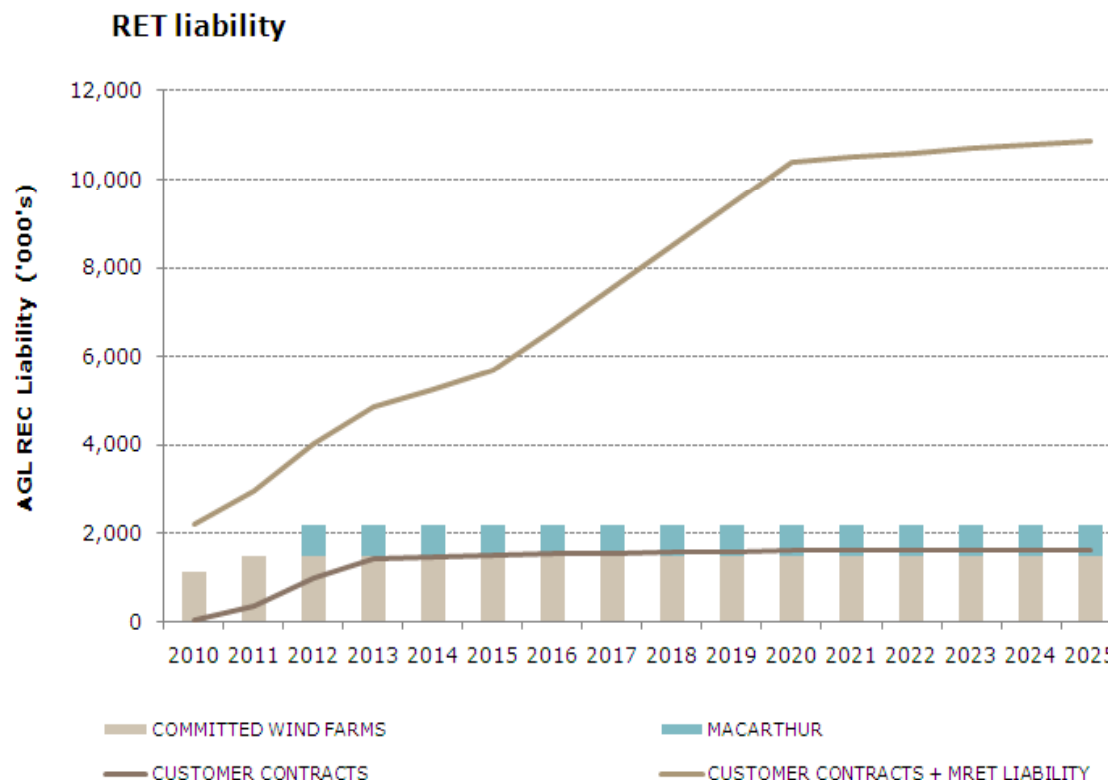


Source: AGL Greenhouse modeling

Renewable Energy Certificate (REC) obligations

Regulatory framework necessary to facilitate investment.

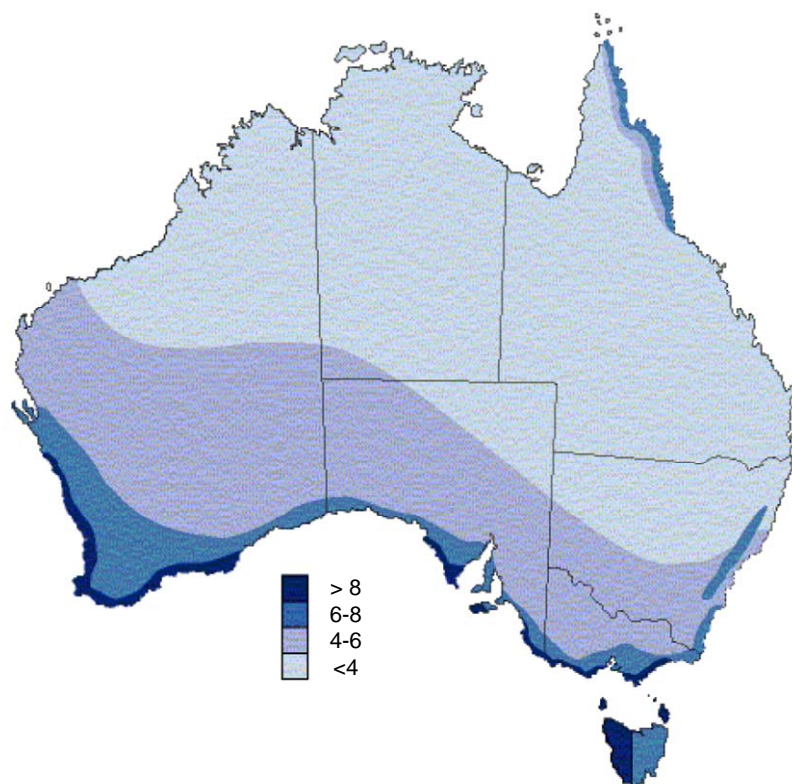
- › Macarthur (365MW) conditional commitment
- › Federal legislation requires AGL to surrender approximately 9 million RECs per annum by 2020
- › Strong pipeline of development opportunities
- › Proven capability in site selection, project development and performance



1. Excludes long-term supply agreements and Voluntary REC demands.

Australia has a world class wind resource

Average wind speeds (metres per second)



Source: CSIRO

- > Wind resource is best in Tasmania and areas in Western Australia, South Australia and Victoria
- > NSW, Queensland and the Northern Territory have limited large scale wind potential
- > The best wind sites have already been taken

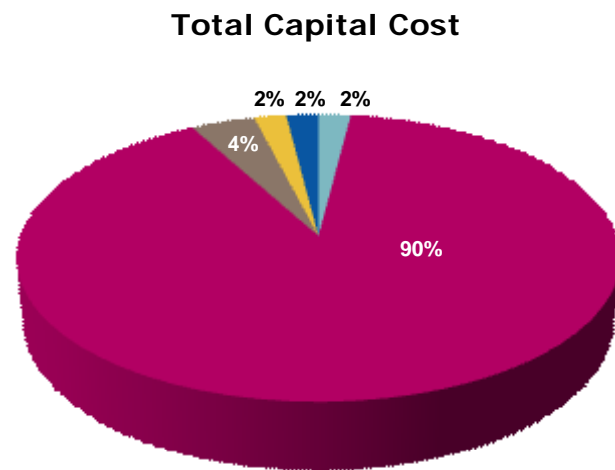
Wind farms: Success factors

A number of critical issues can mean success or failure of a wind farm development:

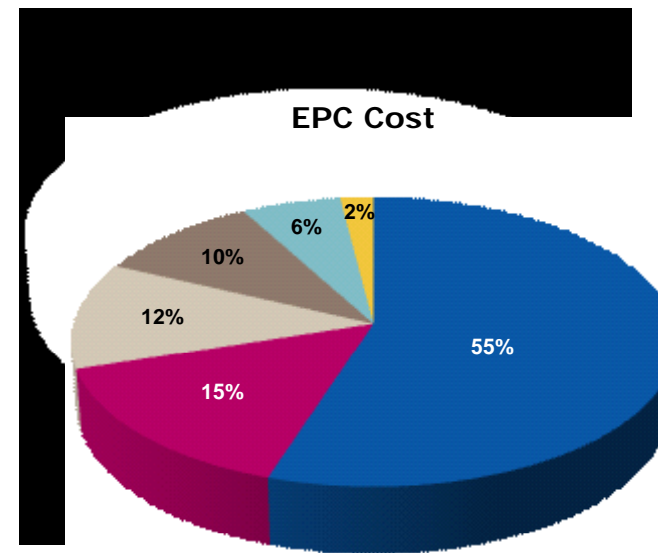
- › Wind resource
- › Land access (support by landowners)
- › Capital cost
- › Connection access: (cost, loss factor, grid capacity)
- › Wind farm scale (to absorb certain fixed cost)
- › O&M costs (typically only around 2% of capital cost per year)

Wind farms: Cost profile

Significant local content built into cost structure.



- Pre Development
- EPC Cost
- Balance of Plant
- Project Management
- Contingency

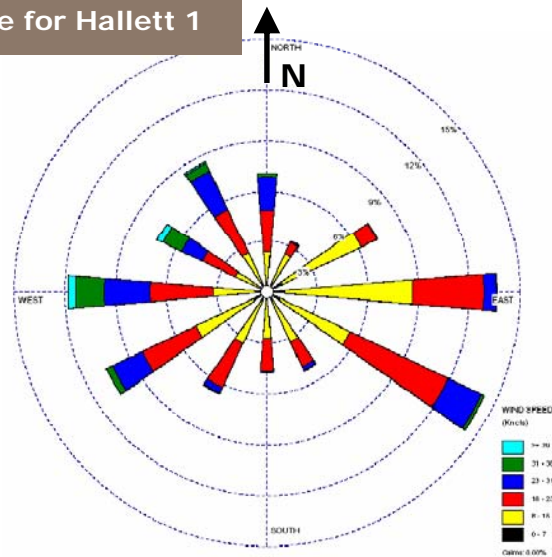


- Wind Turbine Generator
- Electrical (inc Switchyard)
- Transport
- Tower
- Civil
- Engineering

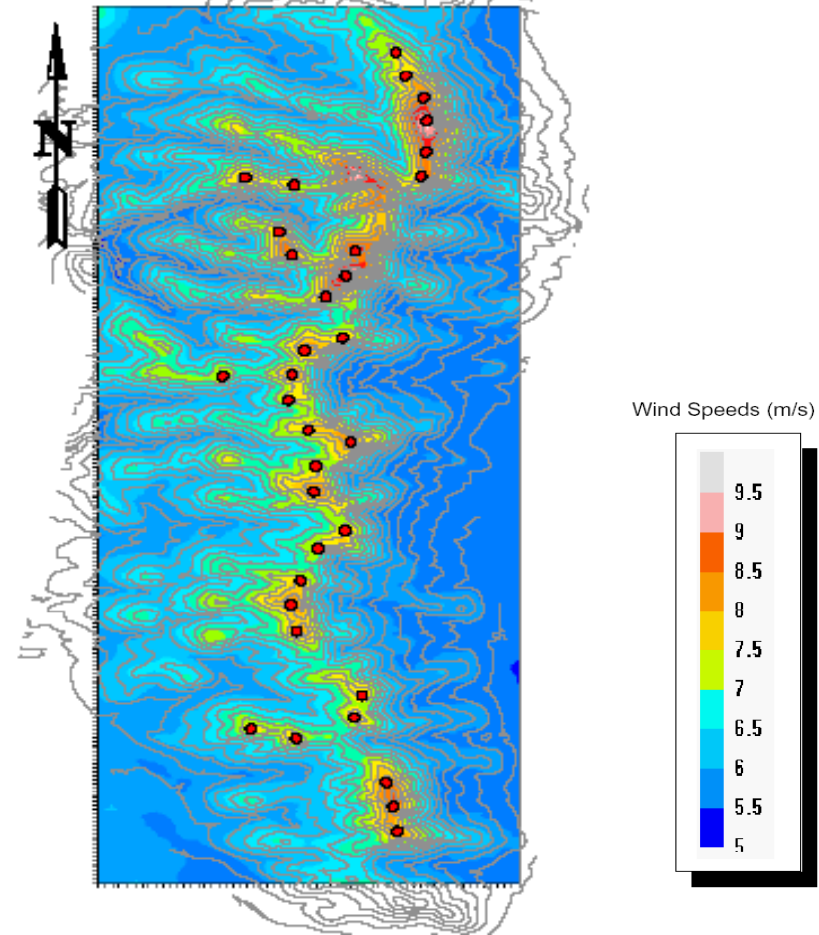
Wind resource drives turbine selection

- › Wind speed generally increases with height
- › Wake effects reduce yield and drives turbine spacing
- › Hallett Wind Farm stages 1, 2 and 4 are classic wind farm sites with prevailing winds perpendicular to ridge

Wind Rose for Hallett 1

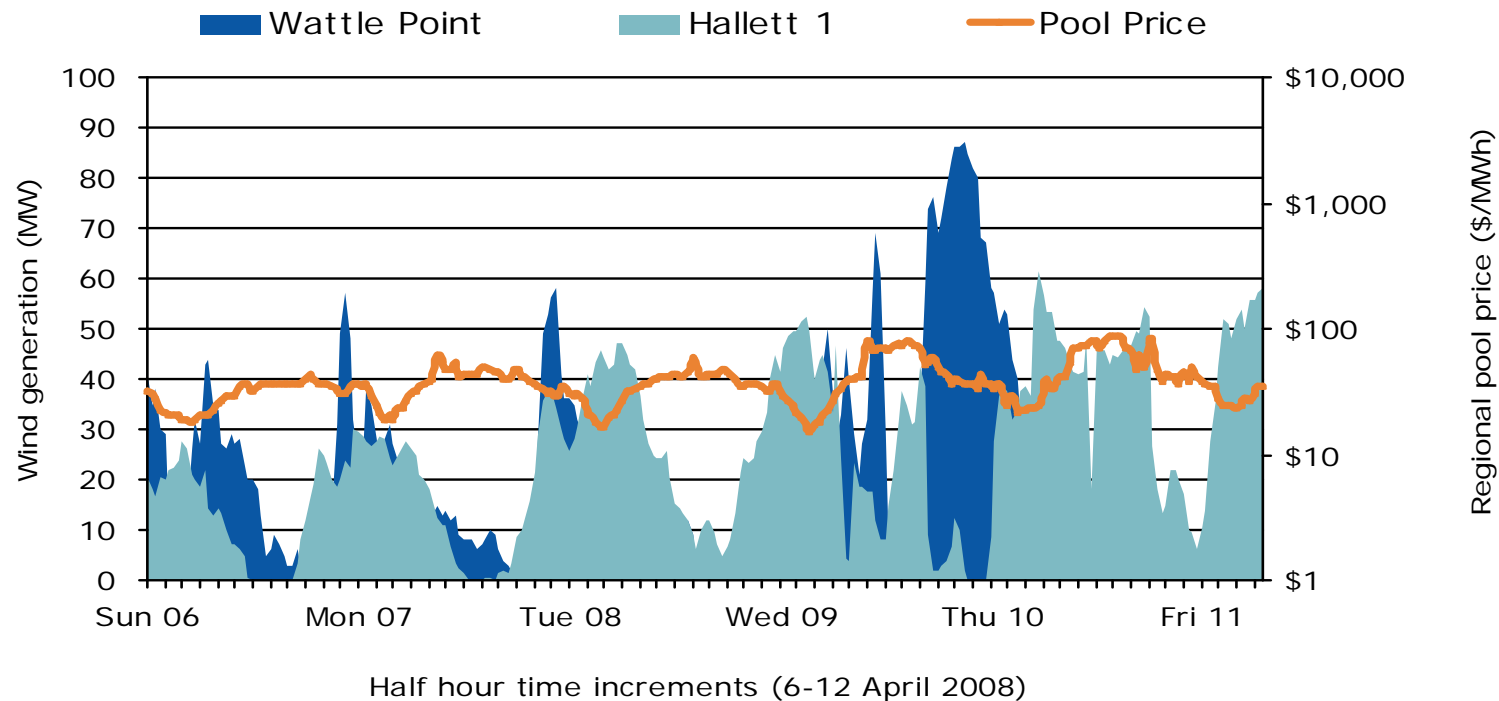


Location of Hallett 1 turbines & wind speeds



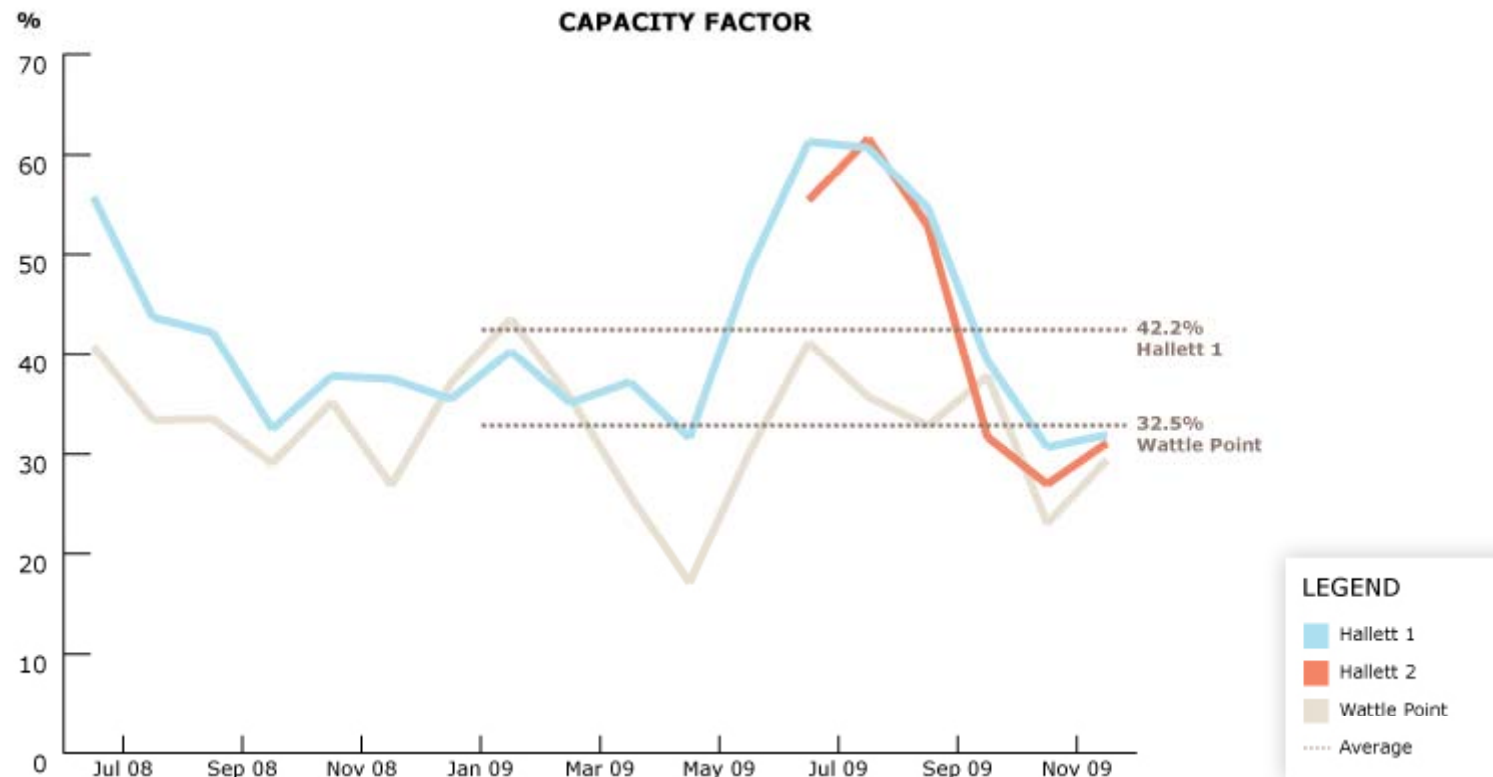
Wind project diversity improves reliability

Geographical diversity enhances the level of 'firm' generation.



AGL projects delivering high capacity factors

Operational performance exceeds investment assumptions.



Strong growth pipeline

Provides strategic depth and optionality.

RENEWABLE GENERATION	Project	Nominal Capacity (MW)	Location	Type	Project Status	Definition
	Bogong	140	Victorian Alps	Hydro	Commissioned	Completed
	McKay Creek Up Rate	10	Victorian Alps	Hydro	Commissioned	Completed
	Hallett 2	71	SA - Hallett	Wind	Commissioned	Completed
	Hallett 4	132	SA - Hallett	Wind	Under Construction	Committed
	Werribee Expansion	2	VIC - Werribee	Biogas	Under Construction	Committed
	Oaklands Hill	67	VIC - West	Wind	Under Construction	Committed
	Hallett 5	52	SA - Hallett	Wind	Under Construction	Committed
	Macarthur	365	VIC - West	Wind	In Development, JV with Meridian	Conditional Commitment
	Barn Hill	130	SA - Redhill	Wind	DA Approved	Probable
	Hallett 3	80	SA - Hallett	Wind	In Development	Possible
	Crows Nest	150	QLD - Toowoomba	Wind	Permitted	Possible
	Ben Lomond	150	NSW - Armidale	Wind	Landowner Agreements in Place	Possible
	Coopers Gap	300	QLD - Kingaroy	Wind	Landowner Agreements in Place	Possible
Other	3 Projects totalling up to 600	Various	Various	Under Review	Possible	

Upstream Gas – Positioning For Growth

Exploration program slowed in line with current gas market conditions.

- › Targeting 2,000PJ of certified 2P reserves
- › 2P reserves entitlement up 18% (201PJ); 3P reserves entitlement up 36% (839PJ)
- › Camden reflects production depletion only; reserves certification at Camden and Gloucester is planned for the end of financial year

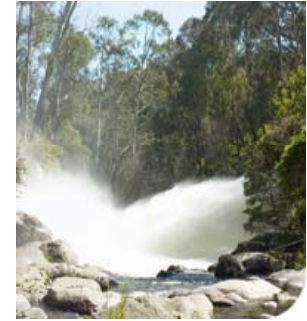
AGL share of CSG reserves	As at 31 Dec 09		As at 30 Jun 09		Change	
	2P	3P	2P	3P	2P	3P
PJ						
Moranbah (50%)	506	1,027	497	1,079	2%	-5%
Gloucester (100%)	423	630	423	630	-	-
Camden (100%)	126	170	129	173	-2%	-2%
Spring Gully (various, small)	7	9	7	9	-	-
Sub-Total	1,062	1,836	1,056	1,891	1%	-3%
ATP 364P back-in rights (50%)*	246	1,307	51	413	382%	216%
Total	1,308	3,143	1,107	2,304	18%	36%

* Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 364P as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs. Past costs are anticipated to be less than \$0.05/GJ.

NSW electricity privatisation

Disciplined bidding approach if process proceeds.

- › NSW Government still working toward opening data rooms mid-year
- › AGL previously stated will look at all assets
- › Opportunity to scale up
- › Only bid for assets if accretive to EPS
- › Maintain BBB credit rating
- › Any capital raising to favour existing shareholders



Summary

- › Significant progress with renewable policies
 - » Legislation scheduled for May/June 2010
 - » Requires up to \$30 billion of investment
- › Delay to CPRS will impact future generation mix
- › AGL's renewable portfolio strategically well-positioned
 - » First-mover advantage with large portfolio of sites
- › Capacity to leverage balance sheet
 - » S&P revision frees additional capacity

Further Information / Contacts

A range of information on AGL Energy Limited including ASX & Media Releases, Presentations, Financial Results, Annual Reports and Sustainability Reports is available from our website: www.agl.com.au

Alternatively, contact:

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