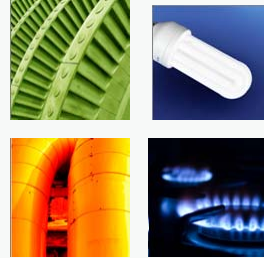


carbon trading and taxes roundtable discussion

oz carbon trading 2007

Tim Nelson
Manager, Carbon and Renewable Strategy

1 June 2007



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agenda

- overview of AGL
- an economic explanation of greenhouse as a policy issue
- carbon taxes
- carbon trading
- an economic perspective on international policy

1

agl power generation

existing assets – 86% of capacity is low or zero emission

plant	capacity	fuel	location	carbon risk
Somerton	150	gas	VIC	low
TIPS ¹	1280	gas	SA	low
Hydro	645	hydro	VIC and NSW	none
Other gas / Cogen	73	gas	QLD, VIC and SA	none
Landfill/biogas	14	gas	TAS, WA, VIC, NSW	none
Biomass	26	biomass	QLD	None
Loy Yang A (32.5% share of 2,120 MW)	689	brown coal	VIC	medium
Total	2877			

1. Subject to financial close

2

policy debate

report by AGL, Frontier Economics and WWF–Australia

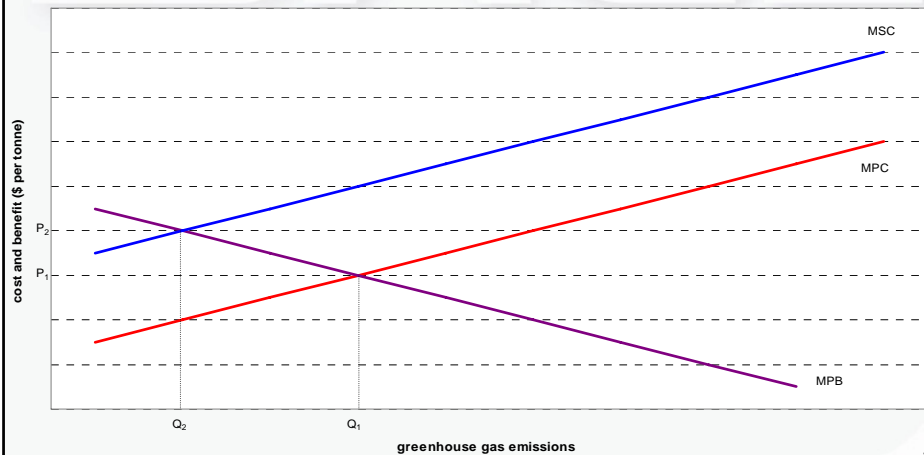
- AGL is an active contributor to the public policy debate on climate change
- AGL has published research on the costs and benefits of reducing emissions
- the report “Options for Moving Towards a Low Emission Future” was produced by AGL with Frontier Economics and WWF–Australia
- the research shows that reducing emissions can be achieved
 - depending upon the pathway chosen, the cost is as little as \$5.19 billion (NPV) or \$0.43 per person per week to 2030
 - new capacity is both gas-fired and renewable
- key policies required
 - emissions trading with long-term targets
 - consistently applied national zero emission obligation



3

greenhouse emissions

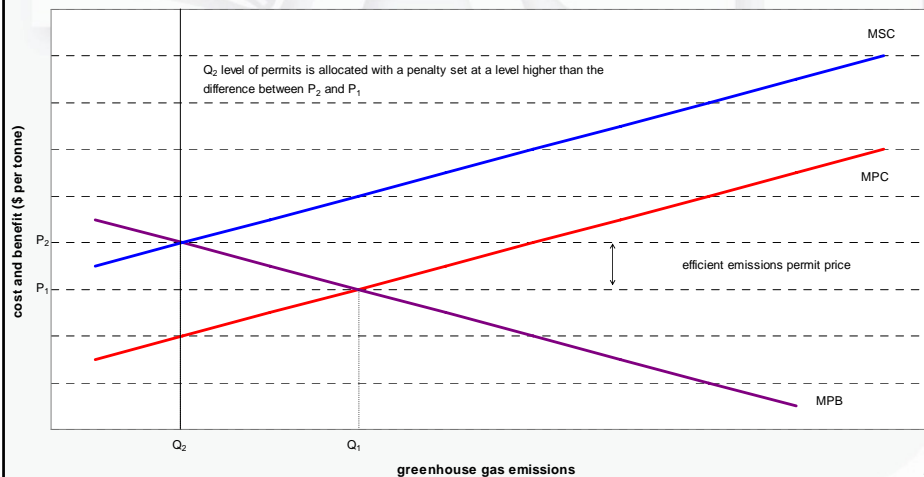
externality: pricing does not reflect the true cost of emissions



4

emissions trading

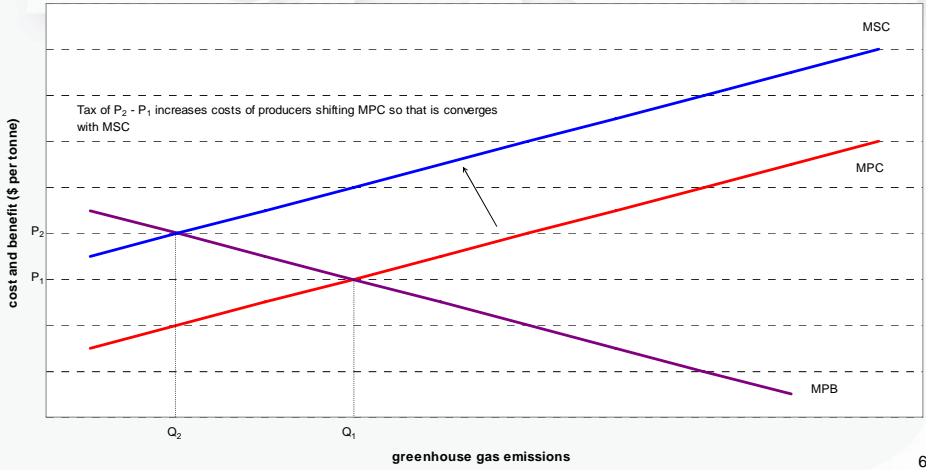
certainty of quantity (environmental certainty)



5

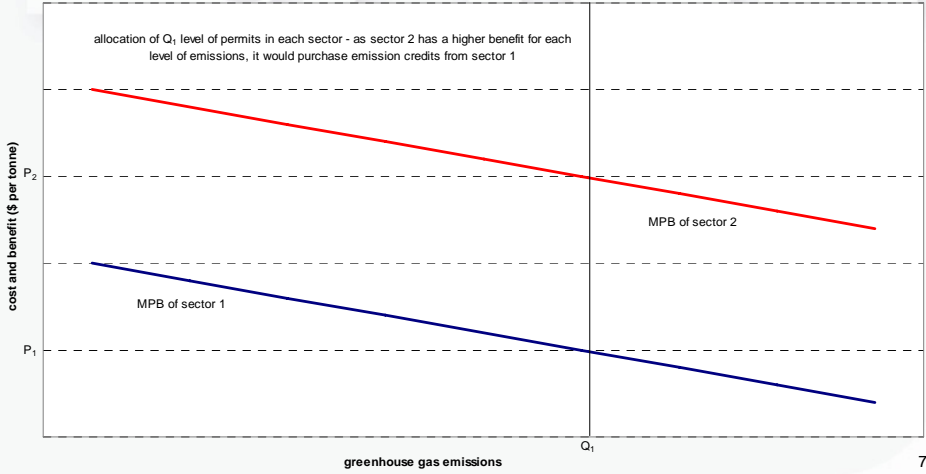
carbon tax

certainty of additional cost (cost certainty)



impact on firms

trading provides flexibility between firms and sectors



international negotiation

hypothetical simple game theory examination

		developed	
		no emission reduction	reduce emissions
developing	no emission reduction	no cost	significant cost
	no emission reduction	no cost	significant benefit
	reduce emissions	significant benefit	moderate cost
	reduce emissions	significant cost	moderate cost

note: this example includes the cost of reducing emissions but not the costs associated with climate change