

APA investor day connecting Australia's energy future.



10 November 2016, Sydney

energy. connected.



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section 1 introductions and overview.

Peter Fredricson, Chief Financial Officer



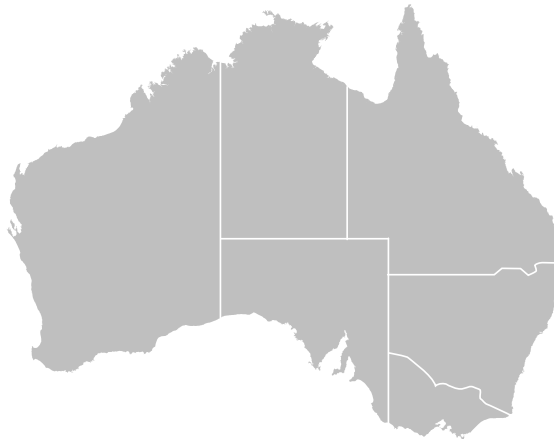
today's agenda

8:30	1	introductions and overview	Peter Fredricson
9:00	2	gas market dynamics & growth strategy	Ross Gersbach
9:30	3	organic pipeline growth opportunities	Rob Wheals
10:00	4	opportunities in power generation	Sam Pearce
10:20	5	capital management	Ian Duncan
10:40		morning tea	
11:00	6	east coast grid	Ivan Byak
11:20	7	gas pipeline coverage criteria	Nevenka Codevelle
11:50	8	general regulatory update	Peter Bolding
12:10	9	questions	panel
12:40		lunch	

experience. track record. sustainable.

OUR PEOPLE

- Approx **1600 employees** & **1200+ field contractors**
- Working in **60** city, regional & remote locations
- In every mainland state & territory in Australia



LOOKING AFTER \$20B IN ASSETS

- **15,000 km** gas transmission pipelines
- **27,300 km** gas distribution mains & pipelines
- Gas storage & processing facilities
- Power generation - renewables & gas-fired generation

Mick McCormack, Managing Director & Chief Executive Officer

Kevin Lester	Sam Pearce*	Rob Wheals	Ross Gersbach	Peter Fredricson	Elise Manns	Nevenka Codevelle
INFRASTRUCTURE DEVELOPMENT • Engineering & infrastructure projects • Procurement • Infrastructure planning & protection	NETWORKS & POWER • Network asset management, operations & maintenance • Power assets management, operations & development	TRANSMISSION • Transmission asset management, operations, maintenance & development	STRATEGY & DEVELOPMENT • M&A and corporate development • Energy investments • Strategy & regulatory • Media & communication	FINANCE • Group-wide finance & IT services • Investor relations • Treasury • Taxation • Insurance • Shared services	HUMAN RESOURCES • Group-wide HR services • Health, Safety & Environment	SECRETARIAT & LEGAL • Company Secretariat & Legal services • Risk

* From 1 Dec 2016. John Ferguson is currently Group Executive Networks. Networks & Power Division will combine this group with Power assets team currently under Strategy & Development Division.

what we are about



infrastructure. success.

“owner and operator of energy infrastructure underwritten by long term contracts with highly creditworthy counterparties”



We've responded to the dynamic gas market by:

- Enhancing our infrastructure
- Connecting markets
- Upgrading our systems



We're providing customer - centric solutions by:

- Creating innovative energy solutions
- Delivering essential services
- Investing in systems capability



We've become experts in our industry by :

- Building comprehensive in-house development, engineering, commercial and operations expertise & skills across all of the assets we own & operate

APA's core strategy



We're an ASX 50 company with a clear objective:

To provide the best return for our Securityholders


how we'll deliver this

enhancing our
portfolio of energy
infrastructure
assets in Australia's
growing energy
market

capturing
revenue &
operational
synergies

facilitating the
development of
energy-related
projects that
enhance our
infrastructure
portfolio

pursuing
opportunities that
leverage our
knowledge &
skills base

strengthening our
financial
capability


what we need to do to support this objective

deliver
personal
job goals to a
high standard

keep
customers in
mind in
everything we
do

manage our
operations &
assets
efficiently

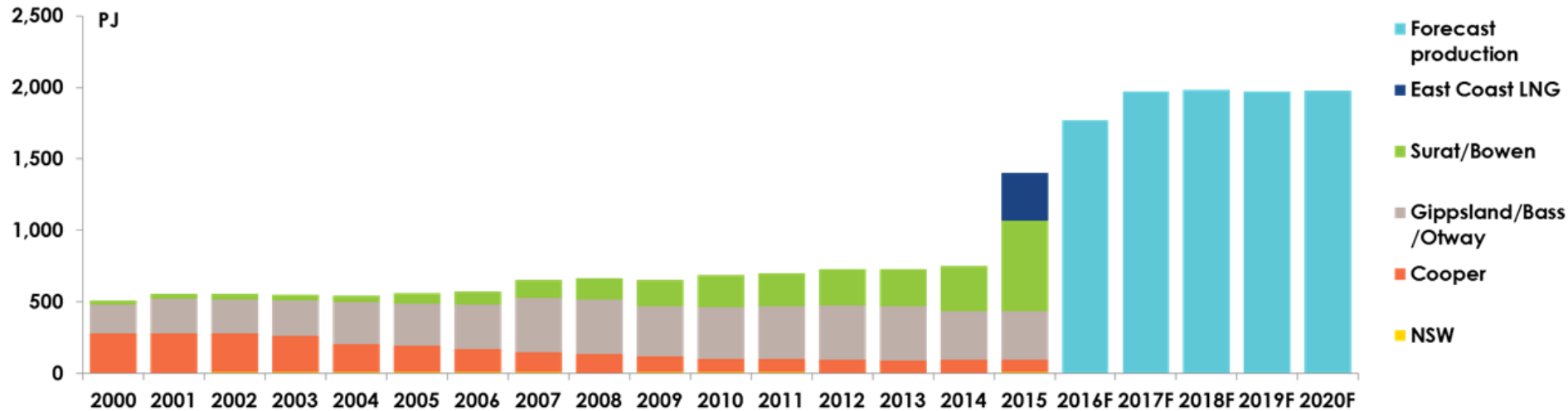
manage our
business costs
efficiently &
effectively

always focus
on safety –
ours & those
around us

actively
support APA's
culture, values
& brand

gas in a dynamic energy market

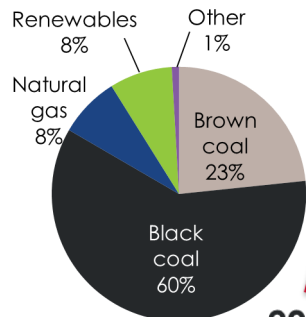
east coast gas production by field



Source: APPEA (~2003); EnergyQuest (2004-2015); AEMO (forecast)

electricity market drivers – significant changes

FY01 electricity generation by fuel



2001

Mandatory RET introduced 2% Target

2009

RET Target reviewed to 20% / 41TWh Target

2012

Carbon Tax Introduced

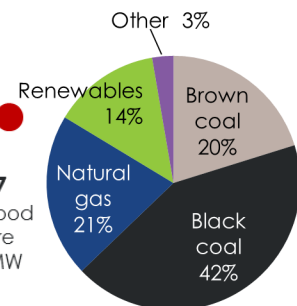
2014

Carbon Tax Repealed

2015

RET Target finalised at 33TWh Target

FY15 electricity generation by fuel



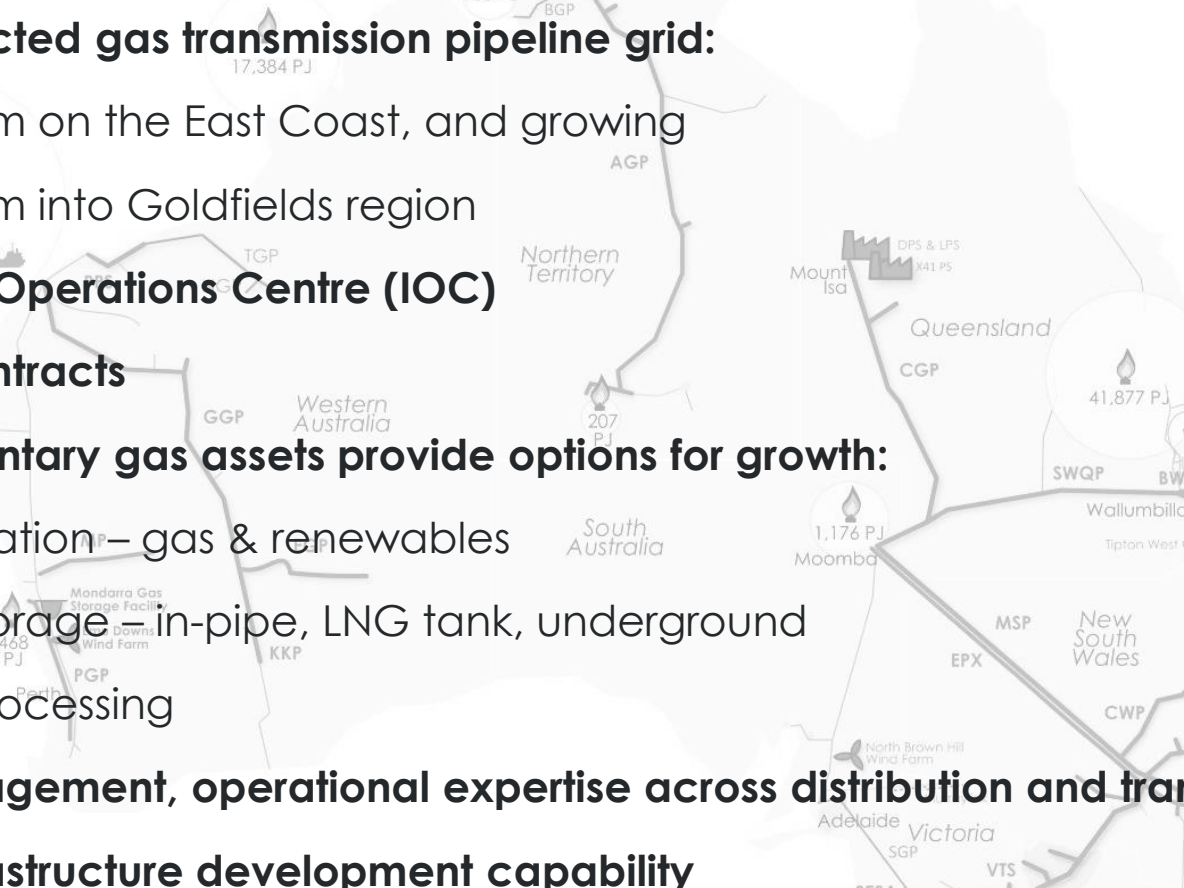
2012
Mortlake OCGT 550MW

2013
Macarthur WF 440MW

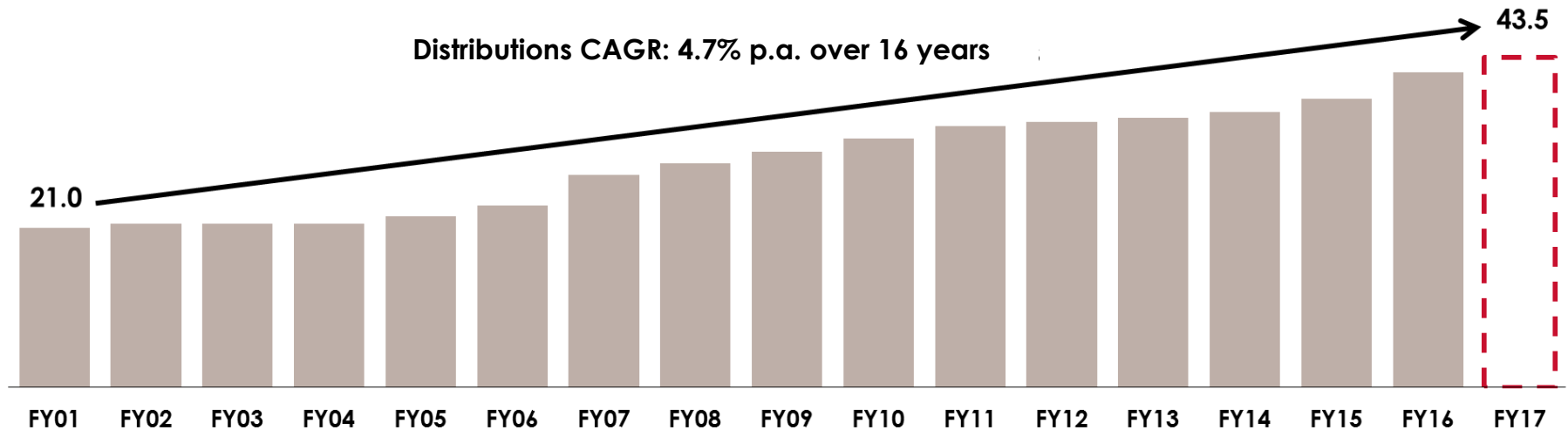
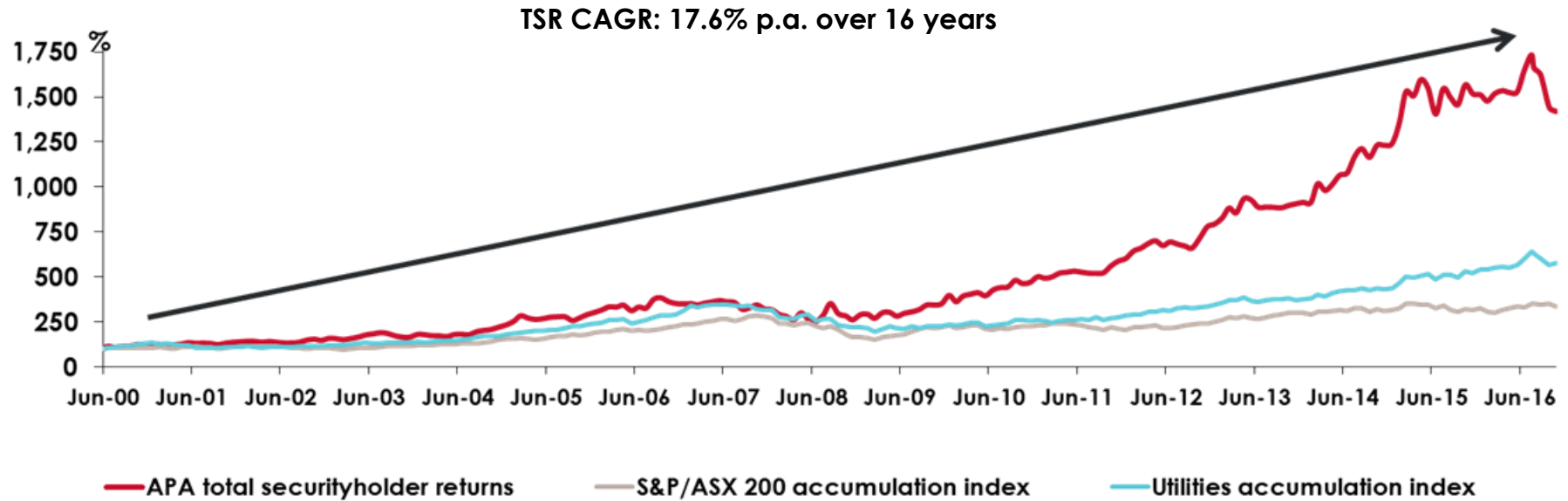
2014
Nyngan Solar 102MW

2016
Pt Augusta, Closed 760MW

2017
Hazelwood Closure 1,600MW

- 
- Interconnected gas transmission pipeline grid:**
- 7,500km on the East Coast, and growing
 - 1,800km into Goldfields region
- Integrated Operations Centre (IOC)**
- Flexible contracts**
- Complementary gas assets provide options for growth:**
- Generation – gas & renewables
 - Gas storage – in-pipe, LNG tank, underground
 - Gas processing
- Asset management, operational expertise across distribution and transmission**
- Energy infrastructure development capability**

delivering long-term sustainable returns to securityholders



strategic framework

compliance themes

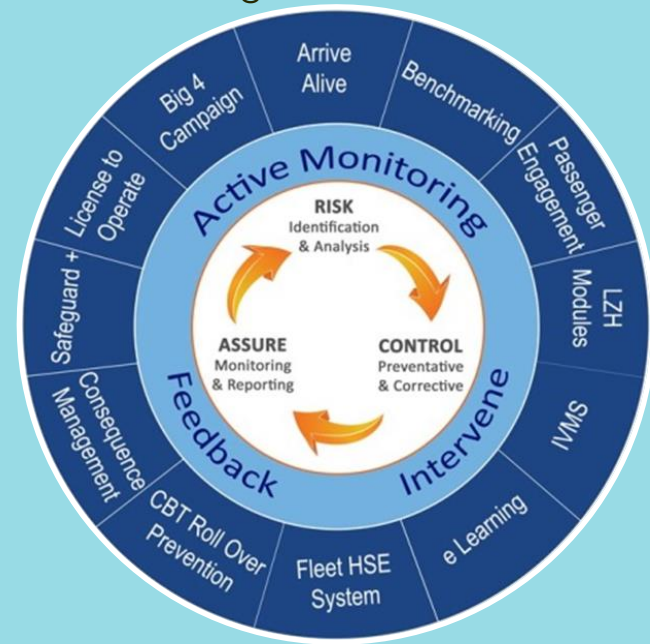
environment management
contractor management
fatal risk protocols
Safeguard improvement

culture themes

fitness for work
leadership program
safety behaviour program
safety days

Safety initiative example - SafeDrive+ program

SafeDrive+ is a structured management program targeting the risks associated with driving



Outcomes

- Winner APGA Safety Awards 2016
- Arrive Alive Campaign
- Reduction in driving related incidents from previous years
- Revised Fleet HSE management systems completed, including installation of 290 In Vehicle Monitoring Systems
- Developed 4x4 vehicle online training program
- Big 4 campaigns (Fatigue, Drugs and Alcohol, Distractions & Speed).

vision

Value & harness the unique talents, experiences & perspectives of our people which contribute to strengthening our culture, our brand & sustained business performance

4 key foundation areas

inclusive work culture

APA aims to have a workplace culture in which all employees are naturally inclusive of all people, adept at managing relationships with those who are different from themselves and skilled at leveraging diversity in their teams

knowledge & collaboration

Knowledge, diverse perspectives and expertise in APA are openly shared through collaborative networks with appropriate technology and systems to support this

people systems

The people systems in APA deliver the desired talent outcomes – retain good people, reward and recognise desired performance and attract the right people to the right roles

APA Values – S.T.A.R.S

Employees at all levels associate with and mirror the APA values in all that we say and do

3 key focus areas

diversity of gender

APA attracts and retains female talent and develops high quality female leaders

diversity of age

APA is resilient in the face of generational change, ensuring there is sufficient inflow of diverse talent to replace those exiting

diversity of thought

Diversity of thought is the driver of improved problem solving and innovation leading to improved business performance

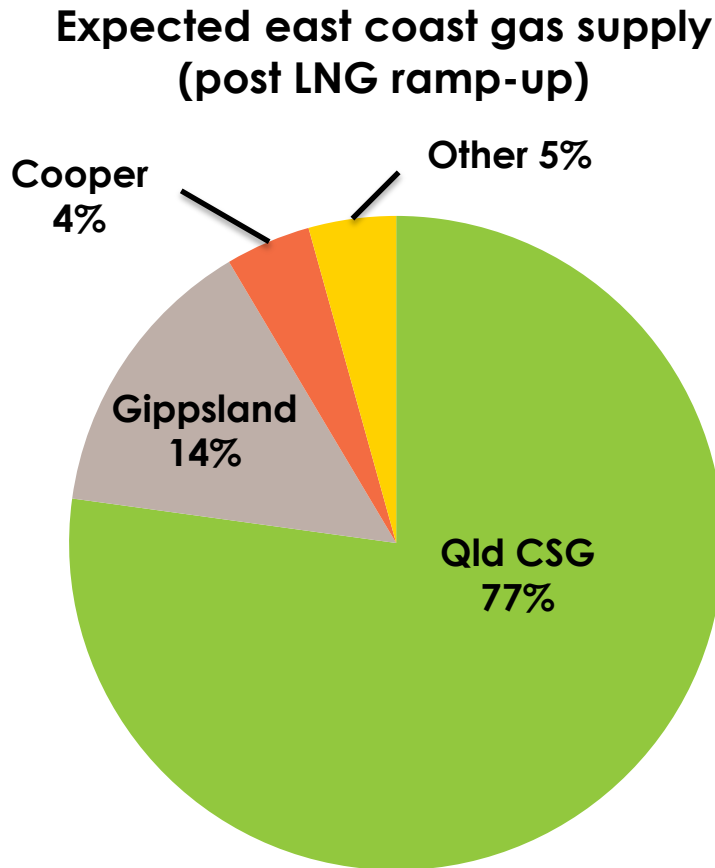
section 2 gas market dynamics & growth strategy.



Ross Gersbach, Chief Executive Strategy & Development



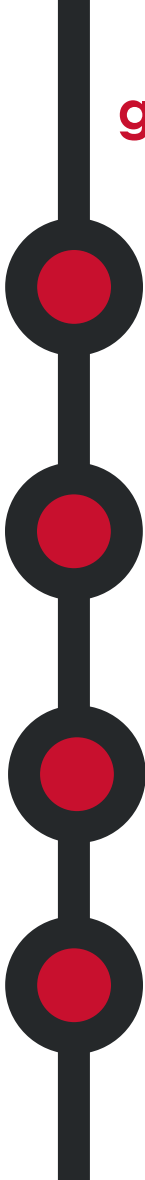
gas supply and demand – Queensland is the key



Source: EnergyQuest

- Significant uncertainties – mostly on the supply side
- Meeting east coast gas demand requires substantial continuing drilling plus drilling success by Qld coal seam gas producers
- QCLNG and APLNG are maintaining reasonable drilling programs
- Key swing factors
 - How hard will GLNG run train 2?
 - When will Arrow further develop its reserves
- APLNG and QCLNG appear well placed to participate in the sale of natural gas to the domestic market

growth strategy

A vertical black line on the left side of the slide, with four red circles spaced evenly along it, each corresponding to a growth strategy point.

Grow our gas pipelines by expanding existing assets; building new assets and via acquisitions

Develop a portfolio of wind, solar and gas generation facilities, underwritten by long term offtake contracts

Expand Australian mid-stream energy infrastructure portfolio

Continue due diligence on North American markets

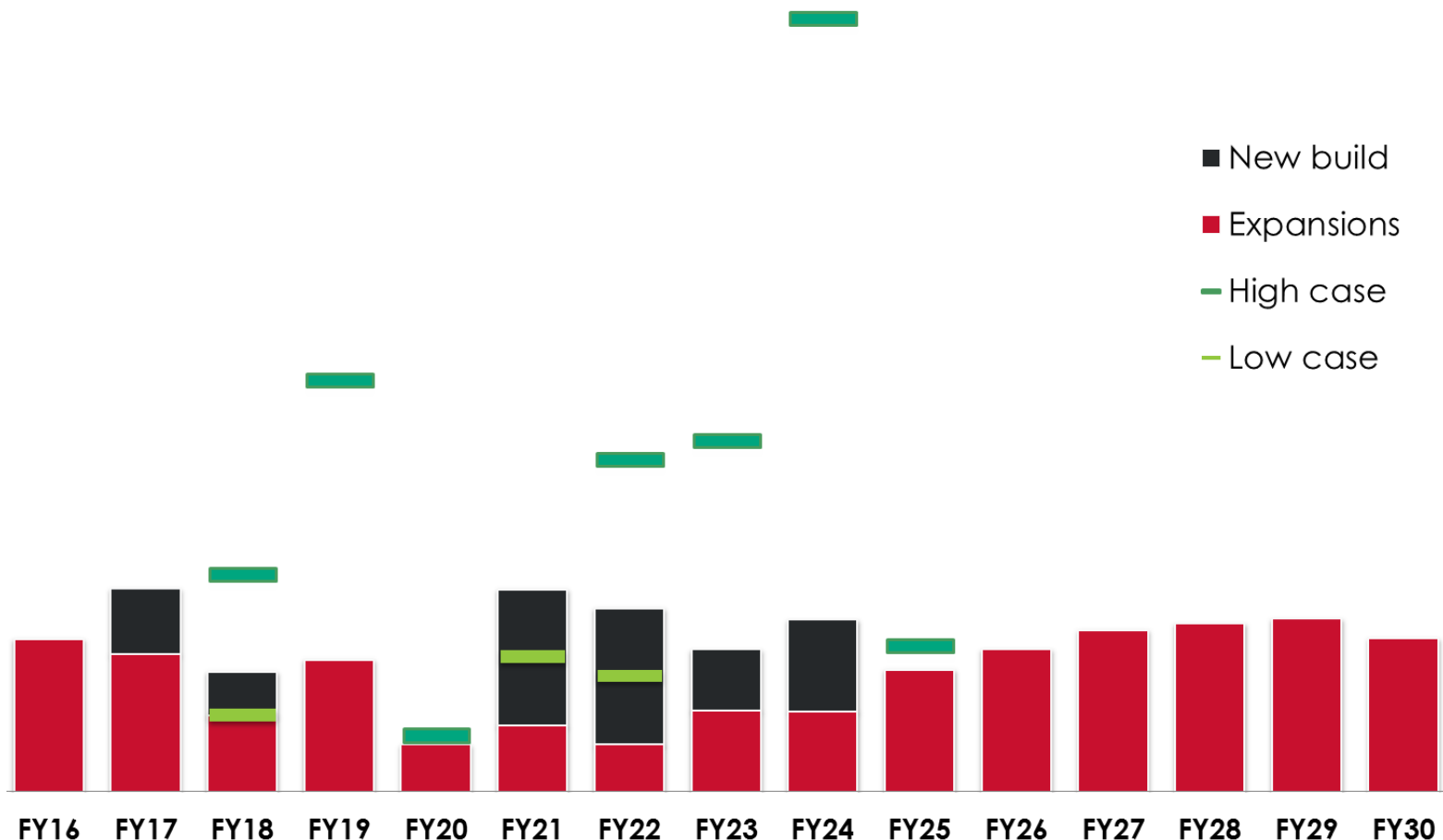
all opportunities will target a risk/return profile consistent with that of APA's current portfolio of assets

focusing on the core business is critical

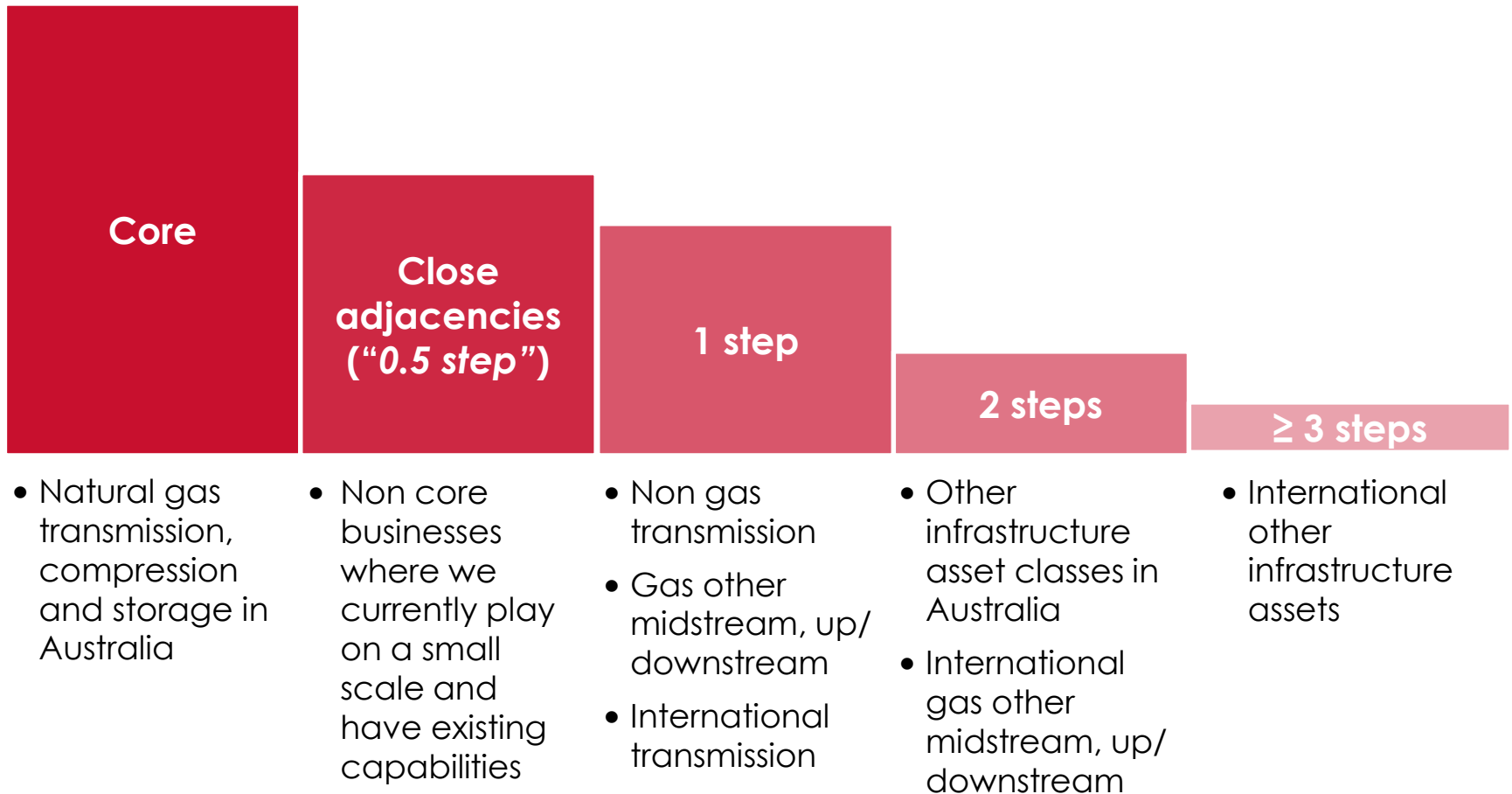


in this context, we have identified in excess of \$5.0B growth capex opportunities in our core gas transmission asset portfolio over FY16-30

Yearly growth capex (\$m, real FY16)

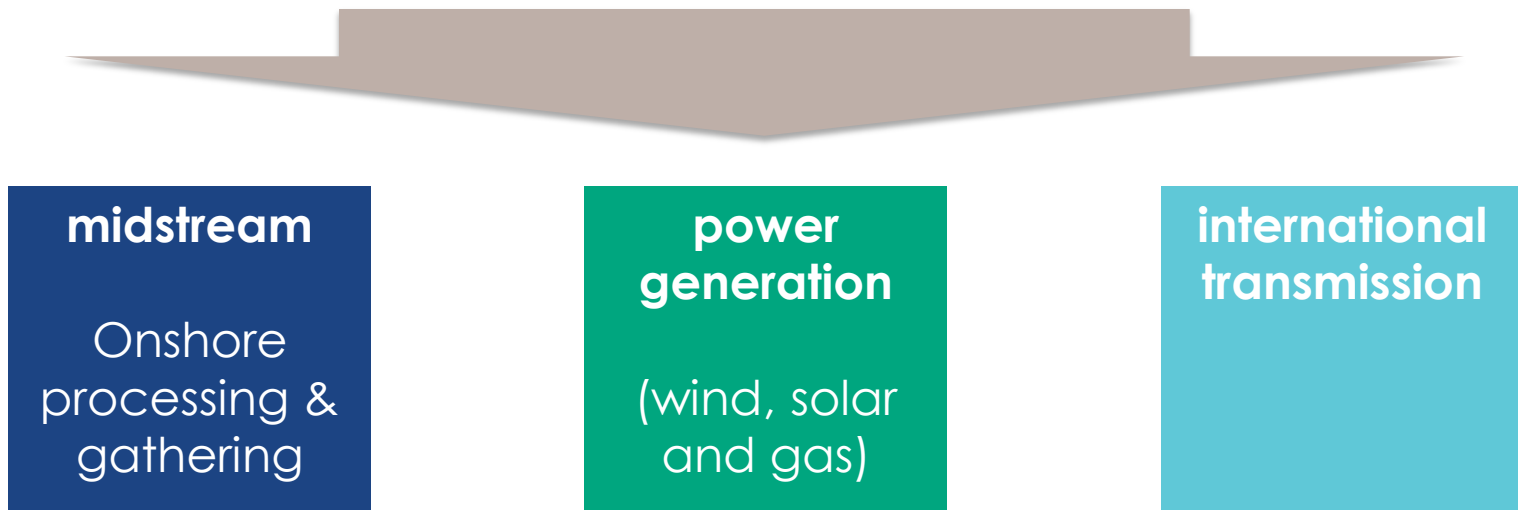


a long list of growth opportunities was constructed,
with varying degrees of distance from the core



Criteria used to filter the long list:

- **Closeness to the core** to increase the odds of execution success
- **Attractive fundamentals** (e.g., large/growing market, attractive returns, value chain disaggregation etc)
- **Strong investment thesis for APA** (e.g., purchase surplus assets, synergies with APA network increasing returns etc)
- **Acceptable level of risk** vs. current portfolio (e.g., low operation risk or ability to mitigate risk through partnerships, contracts etc)



Industry context

- Market has grown to meet LNG gas demand, expected to reach 9,600TJ/d capacity by 2030
- Three types of processing & gathering assets:
 - Junior processing: ~2% of market, owned by small cap E&P companies with high risk-return profile
 - Domestic processing: ~36% of market, owned by mid to large cap E&P companies with focus on domestic gas
 - LNG processing: ~62% of market, asset bundles owned by multi-national consortia to feed LNG exports and domestic gas

Market attractiveness

- Size: ~\$28B in assets, including gas processing plants and onshore gathering infrastructure
- Asset availability: divestment of processing & gathering increasingly seen as a necessity / attractive opportunity by current owners
- Proven concept: asset carve-out model supported by experience in U.S. midstream market

APA rationale

- Strong balance sheet and low cost of capital versus current E&P asset owners
- Ability to drive operational synergies differentiates APA from financial investors

Industry context

- USA has delivered ~2% p.a. growth in gas production since 2011, driven by unprecedented growth in shale gas production (~15% p.a.) that has fundamentally changed the market
- ~\$45B growth capex in gas infrastructure assets from 2011-15 with shifting gas landscape
- Gas price decline of ~65% since 2014 is driving growing financial pressure across the market

Market attractiveness

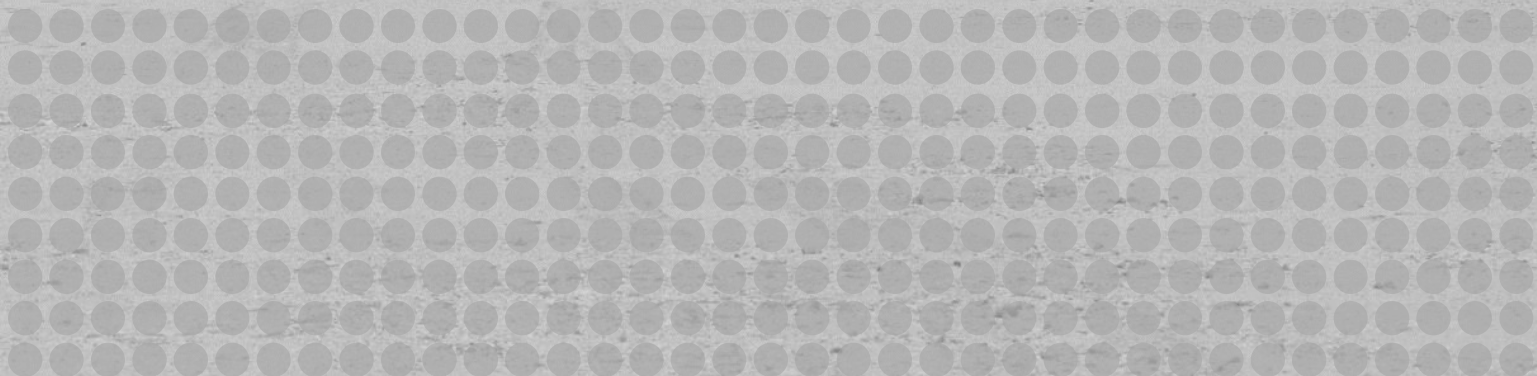
- Size: Largest gas transmission infrastructure market (~\$300B assets, >9x larger than Australia)
- Returns: Typically, players achieve moderate median TSR of ~12% p.a., ROE from ~8-12% p.a.
- Risk: Low macro risk and strong long-term gas supply/demand fundamentals

APA rationale

- Strong balance sheet and access to capital currently differentiates us from many USA operators
- Strong operational capabilities differentiate us from most financial investors (e.g. Private Equity)

section 3 organic pipeline growth.

Rob Wheals, Group Executive Transmission



organic pipeline growth opportunities

- \$700m pipeline extension and expansions opportunities identified over the short term (~ 3 years)
- Target growth areas:
 - Supporting the LNG industry
 - Firing up the resources sector
 - Bringing new gas supply to market
 - Transitioning to renewables
 - Enabling gas market liquidity



Curtis Island connection point on WGP



Victorian Northern Interconnect expansion



Construction of Eastern Goldfields Pipeline

delivering to customer requirements



customers want:	how APA delivers:
Simplicity	• 1 contract: - multiple services & pipelines • 1 invoice • 1 APA customer manager
Flexibility	• add / change services • intra-day noms • in-pipe trades
Optionality	• bi-directional flow between markets • short term flexible services • park / loan services
Reliability	• service levels • system redundancy • 24 x 7 operations / IOC

"Origin is now able to think differently about how to best manage our gas portfolio with the new range of transport and storage services that APA is able to provide. APA has applied smart thinking to its interconnected pipeline grid in the east to create innovative services and unprecedented flexibility for customers like Origin. APA is responding to the market demands, but more than that, they're opening up new possibilities and opportunities that are reshaping how Origin and other gas producers, shippers and retailers do business."

FRANK CALABRIA, CEO Origin Energy
(quote from APA 2014 Annual Report)

MARKET OPPORTUNITY

- transporting third party gas supply
- managing interruptions to supply chain
- facilitating market opportunities



APA RESPONSE

- new pipeline infrastructure
- flexible / timely transportation services
- park / loan services (storage)



Simplicity



Flexibility

CASE STUDY: RCWP

- new 50km 18 inch pipeline, capex \$80m
- connects APLNG with Wallumbilla Hub
- 300TJ/d bi-directional service



FUTURE OPPORTUNITIES

- grid connections & augmentations
- compression services
- flexible storage services



Optionality



Reliability

MARKET OPPORTUNITY

- competitive supply - electricity generation
- managing process plant interruptions
- reliable supply, safe logistics, lower emissions



APA RESPONSE

- end-to-end transportation solution
- cost competitive, cleaner energy
- park / loan services

CASE STUDY : EGP

- new 293km 8 inch pipeline, capex \$140m
- extends GGP, total distance 1800 km
- delivers gas to Tropicana, Sunrise Dam & Granny Smith gold mines



FUTURE OPPORTUNITIES

- other mines in region e.g. Dacian Gold & Vimy Resources (Uranium)
- Gold Road Resources (WA) & Tanami (NT)
- Lithium and Magnetite Projects (Pilbara)



Simplicity



Flexibility



Optionality



Reliability

bringing new gas supply to market



MARKET OPPORTUNITY

- new infrastructure connecting gas supply with existing pipeline system
- cost competitive access to market(s)



APA RESPONSE

- marketing / aggregating demand to enable cost effective solutions
- end-to-end transportation solution
- land access, licenses, pipeline design & construct



Simplicity



Flexibility

CASE STUDY : COMET RIDGE

- non-binding MOU - deliver gas to market
- explore pipeline & midstream infrastructure opportunities



FUTURE OPPORTUNITIES

- QLD: Galilee / Surat / Bowen Basins
- NSW: Gunnedah Basin
- WA: Perth Basin



Optionality



Reliability

MARKET OPPORTUNITY

- gas as transition fuel
- managing the peak
- security of supply



APA RESPONSE

- transportation services, storage
- multi receipt / delivery services
- wind generation since 2011, leveraging existing infrastructure expertise



Simplicity



Flexibility

CASE STUDY : SA ELECTRICITY MARKET

- reliance on wind (40%), shutdown of coal/gas
- perfect storm: 7 July 2016
- gas brought back on!



FUTURE OPPORTUNITIES

- retirement of coal
- “fast start” - stability in electricity supply
- dependent on gas price, climate policies



Optionality



Reliability

MARKET OPPORTUNITY

- gas trading hubs
- removal of physical constraints
- pipeline flexibility



APA RESPONSE

- bi-directional / re-direction services
- in-pipe trades, capacity trading
- pipeline interconnection – flexibility and short term storage



Simplicity



Flexibility

CASE STUDY : WALLUMBILLA HUB UPGRADE

- de-bottlenecking , capex < \$20m
- improves flexibility & use of compression facilities
- increases capacity of hub services



FUTURE OPPORTUNITIES

- Victorian Northern Interconnect expansion currently underway
- LNG market connections to domestic market at APA's Wallumbilla Hub



Optionality



Reliability

- Continued innovation & investment to meet customer requirements

- Pipelines playing a key role in domestic and now LNG gas markets

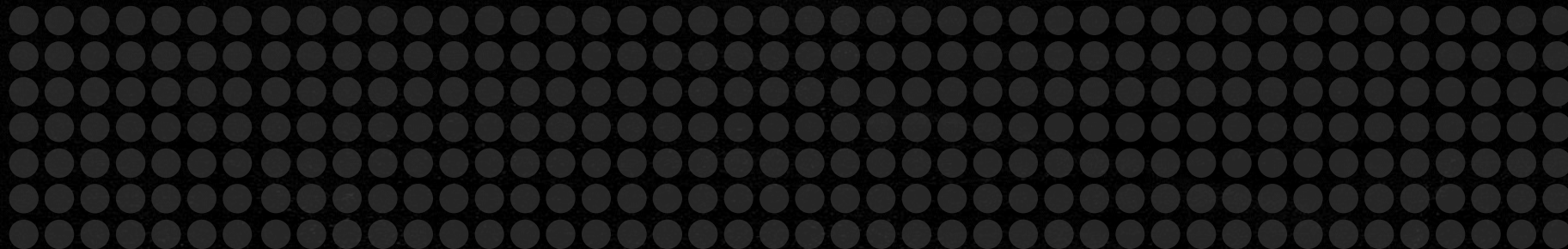
- \$700m pipeline extension and expansions opportunities identified



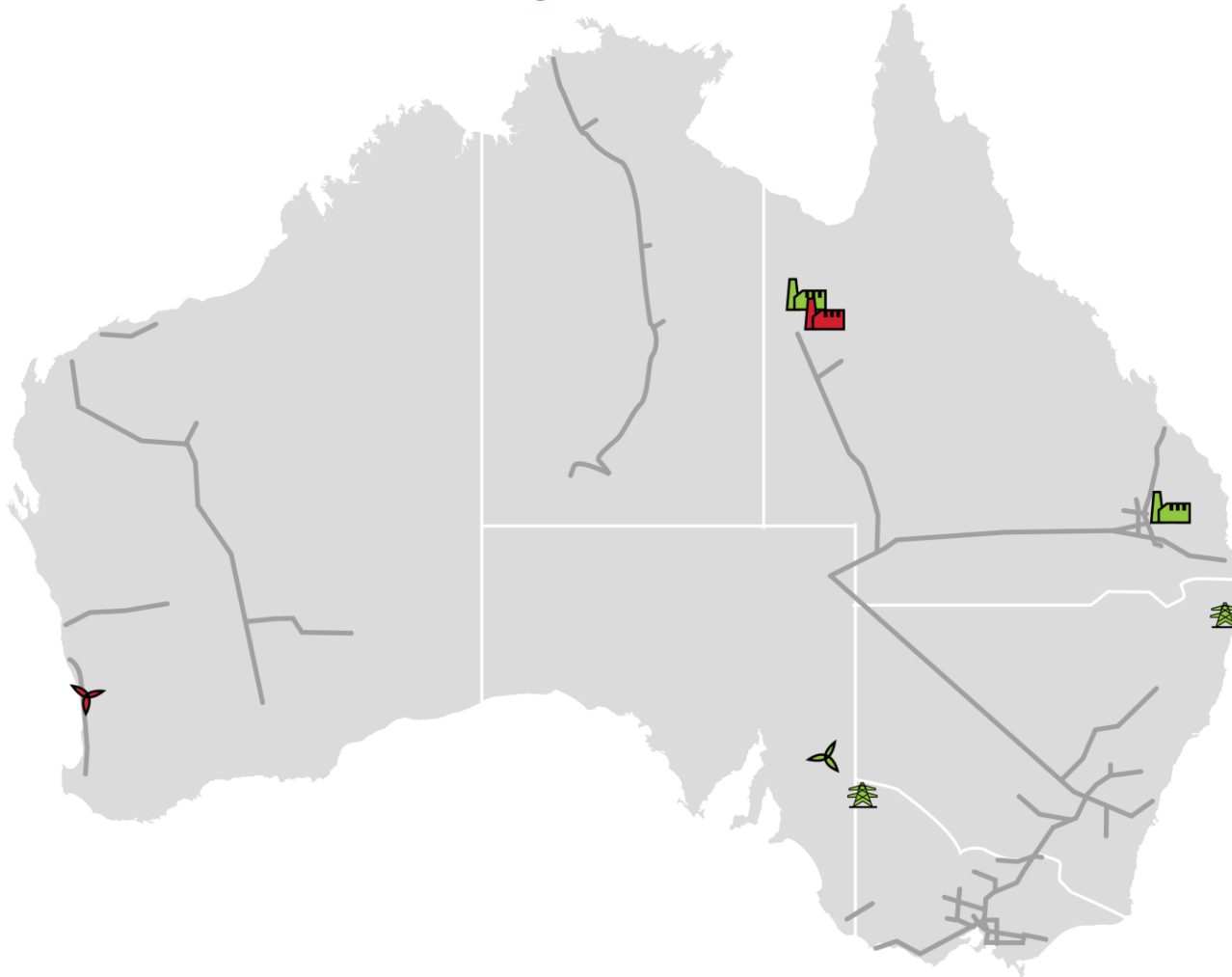
section 4 power generation.



Sam Pearce, Group Executive, Networks & Power (from 1 December 2016)



power assets – existing footprint



Thermal Generation

- DPS/LPS (302MW)
- X41 (42MW)*
- Daandine (33MW)*

Renewable Generation

- EDWF (80MW)
- NBHWF (132MW)*

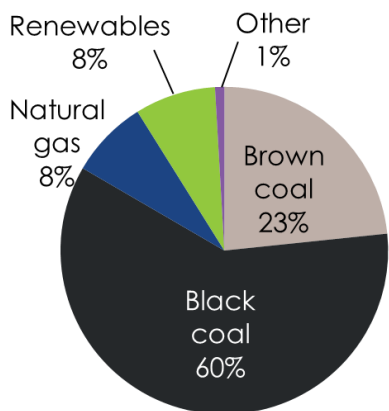
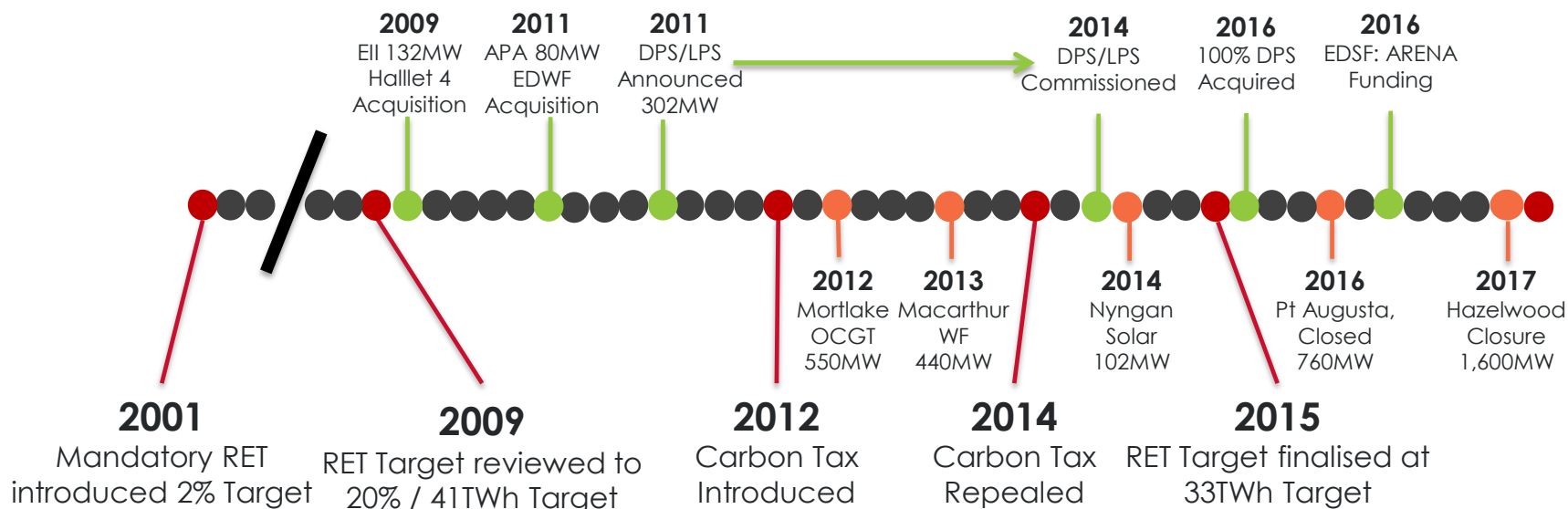
Transmission

- Directlink (168MW)*
- Murraylink (220MW)*

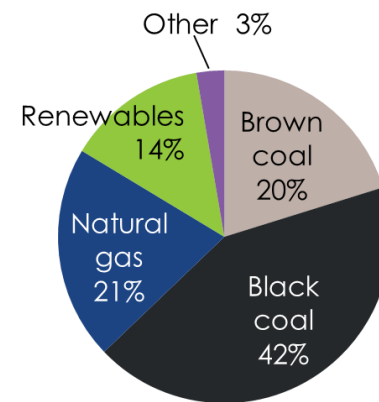
* Part owned

- power generation portfolio of significant scale, fits with APA strategy of energy infrastructure with long term offtake arrangements with strong counterparties
- gas-fired generation is complementary to APA's gas transmission infrastructure
- renewable generation provides APA with investment opportunities which meet APA's criteria

APA's power portfolio has developed against the backdrop of changes in the power generation sector



Source: Australian Energy Statistics 2016, Department of Industry, Innovation and Science



case study - Diamantina and Leichhardt Power Stations



Key Statistics

Capacity	302MW
Heat Rate	8.5GJ/MWhr (avg)
Target Availability	99.5%
Total Gas Requirements	40TJ/Day (avg)
Total Staff	18

- Efficient gas fired generation
- Long term contracts in place for:
 - MIM and Ergon – each to 2030
 - OEM for major maintenance
 - Gas supply to 2023, with gas supply obligation reverting to electricity offtaker after then
- Opportunities for incremental load
 - Around 20MW identified in the near term
 - Around 50MW in the longer term
- Usage of CGP for gas transportation

Acquisition of 50% from AGL in FY16

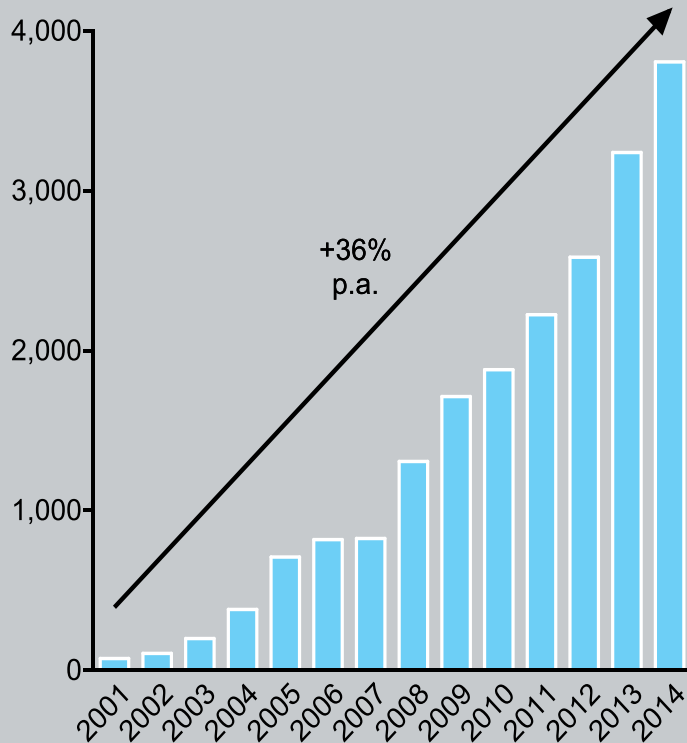
50% Equity acquired	\$150m
Implied Enterprise Value	\$700m
FY17 EBITDA multiple	~8 times

- **DPS/LPS meets investment criteria, and has potential incremental value capture opportunities**

renewable generation is a growing sector

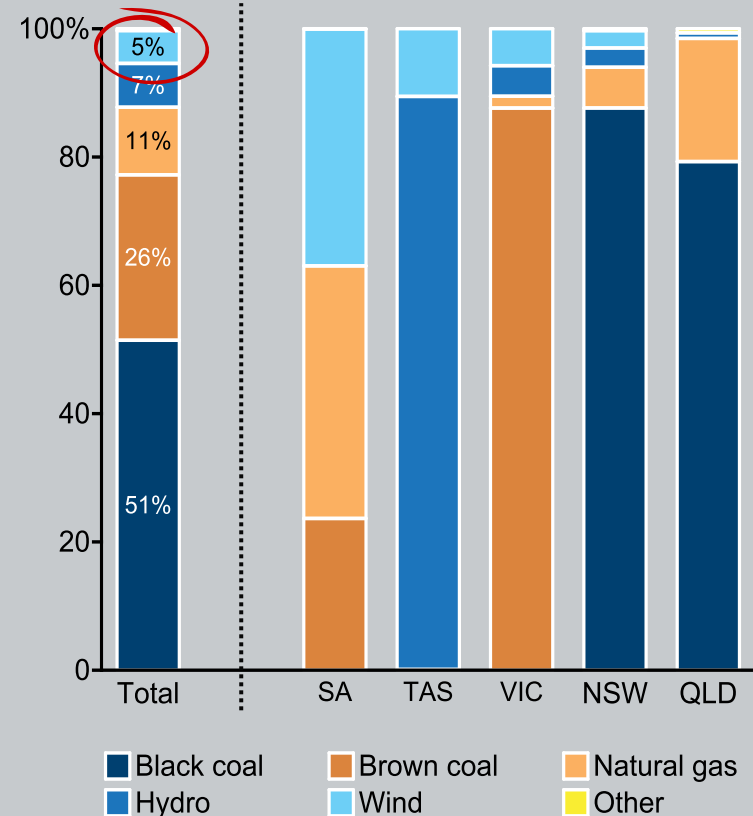
WIND CAPACITY GROWTH OF ~36% P.A.

Wind power installed capacity in Australia (MW)



WIND GENERATION ONLY 5% OF NEM IN 2015

2015 Electricity generation by source in NEM (Gwh)



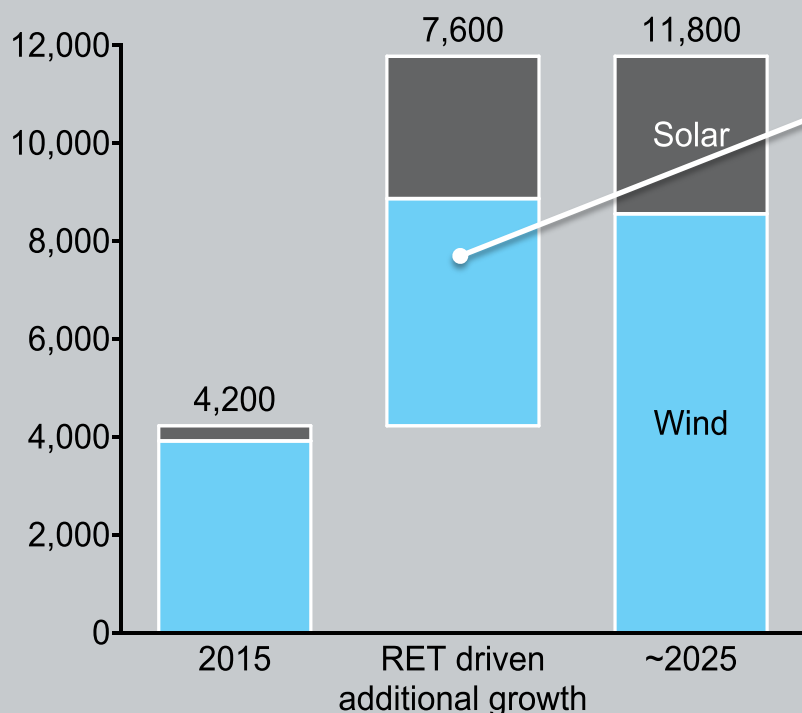
- wind has been the most successful over the past 15 years, but is still only ~5% of the NEM generation

Note: NEM = National Electricity Market; RET = Renewable Energy Target; Other includes Biomass, grid-solar and liquid fuels
Source: Global Wind Energy Council (GWEC), *Global Wind Report: Annual Market Update 2014*, Green Energy Markets, 2015

government policy expected to continue to drive renewable generation development

RET TARGET 33,000GWH REQUIRES ADDITIONAL ~7600MW RENEWABLES

SWIS and NEM installed capacity (MW)



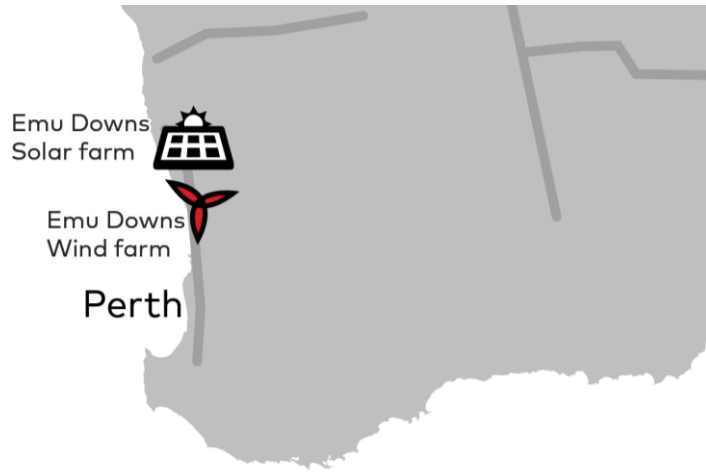
Exact mix of solar/wind will depend on speed of solar cost reduction. Expect more wind to be added earlier, and solar later.

	Target	by
National	Fixed target 33,000 GWhs	2030
QLD	50%	2030
VIC	40%	2025
ACT	100%	2020
SA	50%	2025
NSW	No target	

- **significant renewable generation (wind and increasingly solar) will be required over the short/medium term to meet policy commitments**

Note: Additional capacity estimate based on 35% capacity factor for wind and 25% for solar and assumptions on wind/solar mix driven by expected LCOE curve. Source: ACIL Allen 2014, Lit Search,

case study – Emu Downs Solar Farm



- EDSF generation profile expected to complement EDWF
- Transmission connection is de-risked and cost efficient as it utilises EDWF
- Total capex of ~\$50m, ARENA funding of \$5.5m.
- Long term offtake arrangements being finalised

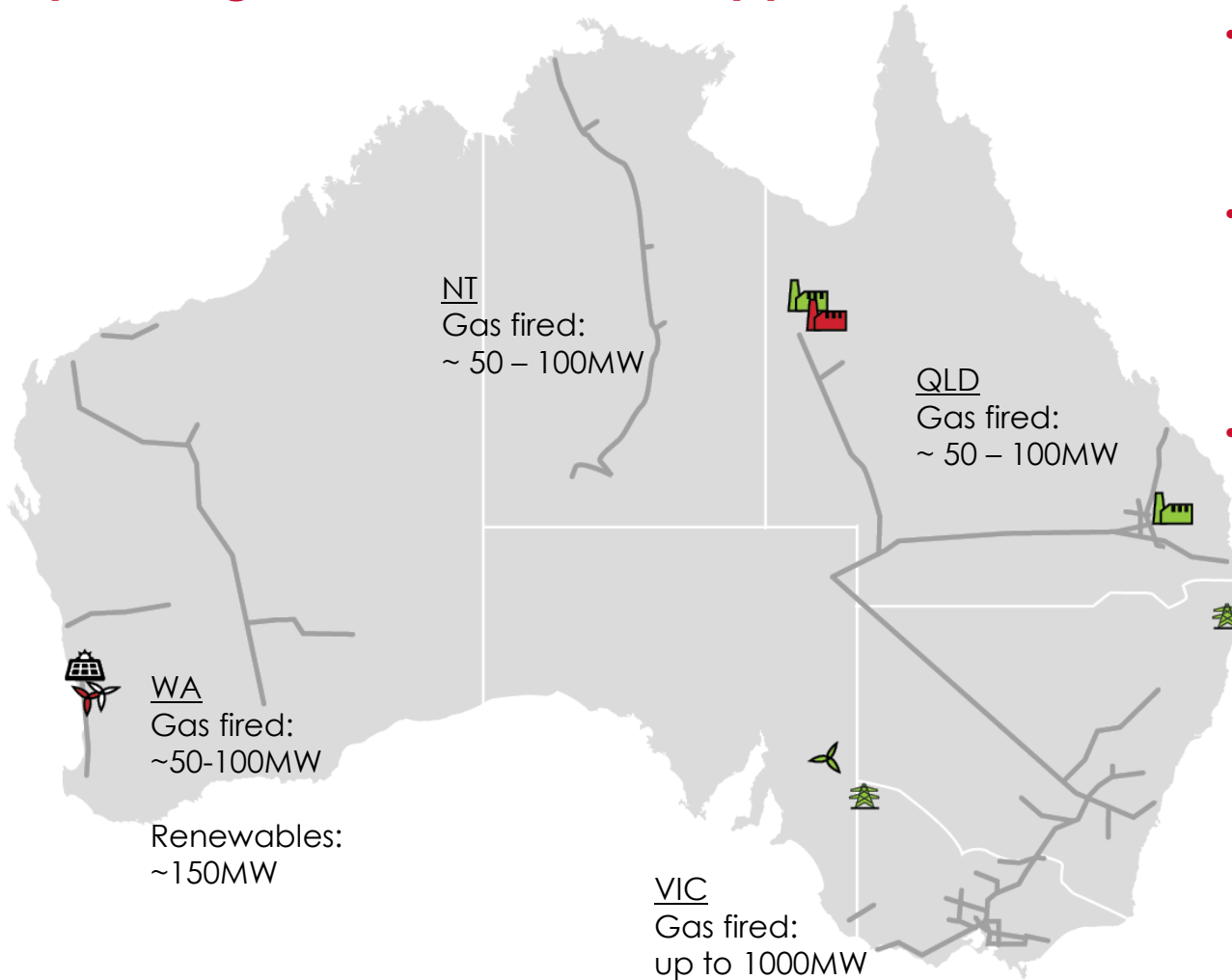
Key Statistics

Capacity	20MW
Efficiency	30%
Target Output	~53GWhr/yr
Expected completion date	Early 2018

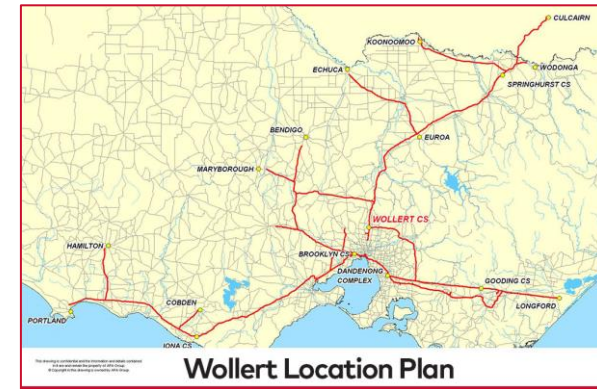


- **Emu Downs Solar Farm is in the process of securing long term offtake arrangements, with project economics improved by the ARENA funding**
- **APA has established a development model for solar farms based on its EDSF experience**

power generation current opportunities



- Gas fired generation opportunities in WA, NT, QLD aimed at stand alone customer requirements
- APA also has a large potential gas fired generation site in Vic (Wollert), proximate to electricity transmission
- Renewables – in addition to EDSF and Badgingarra WF, APA is pursuing other opportunities, primarily in Eastern Australia



- **APA's existing power generation opportunities across Australia. Development of these opportunities will be dependent on securing customer commitments**
- **Further opportunities are also under development**

The background of the slide is a grayscale photograph of an industrial facility, likely a water treatment plant. Large, white, cylindrical pipes run horizontally across the frame. Some of the pipes have the text "WWS1" and "WWS2 DISCHARGE" printed on them. In the upper right corner, the "apa" logo is visible, consisting of the lowercase letters "apa" in a bold, sans-serif font, followed by a red circle with a black outline. On the left side of the slide, there is a decorative pattern of small, light gray circles arranged in a grid.

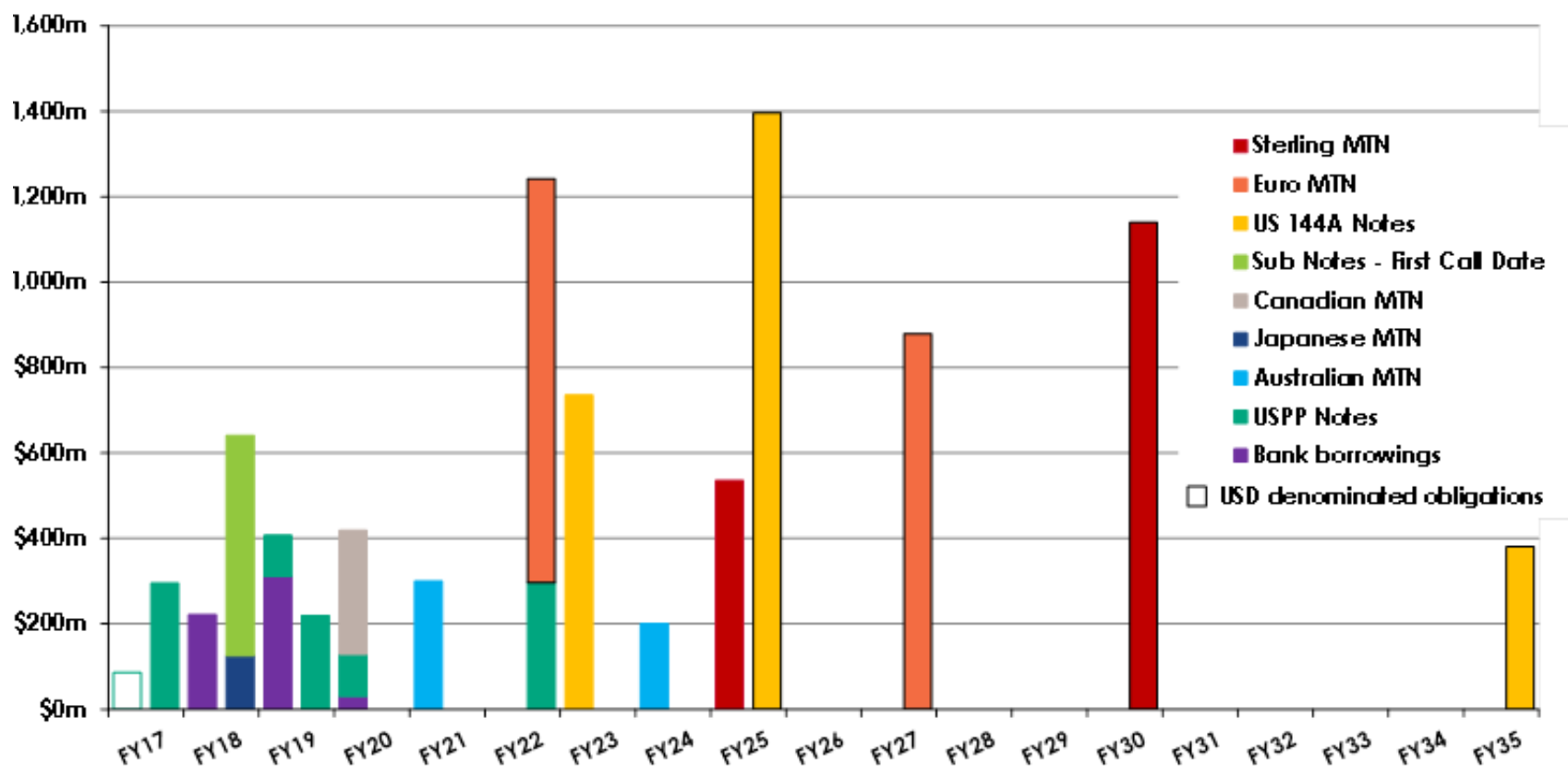
section 5 capital management.

Ian Duncan, General Manager Capital Markets

debt maturity profile



- APA maintains a diverse range of funding sources and a long-dated spread of maturities
- \$10 billion of bond issues, loans and headroom, comprising:
 - bank facilities, AMTN, EMTN (EUR, GBP, CAD, JPY), 144A, USPP & ASX listed sub-notes (hybrids)

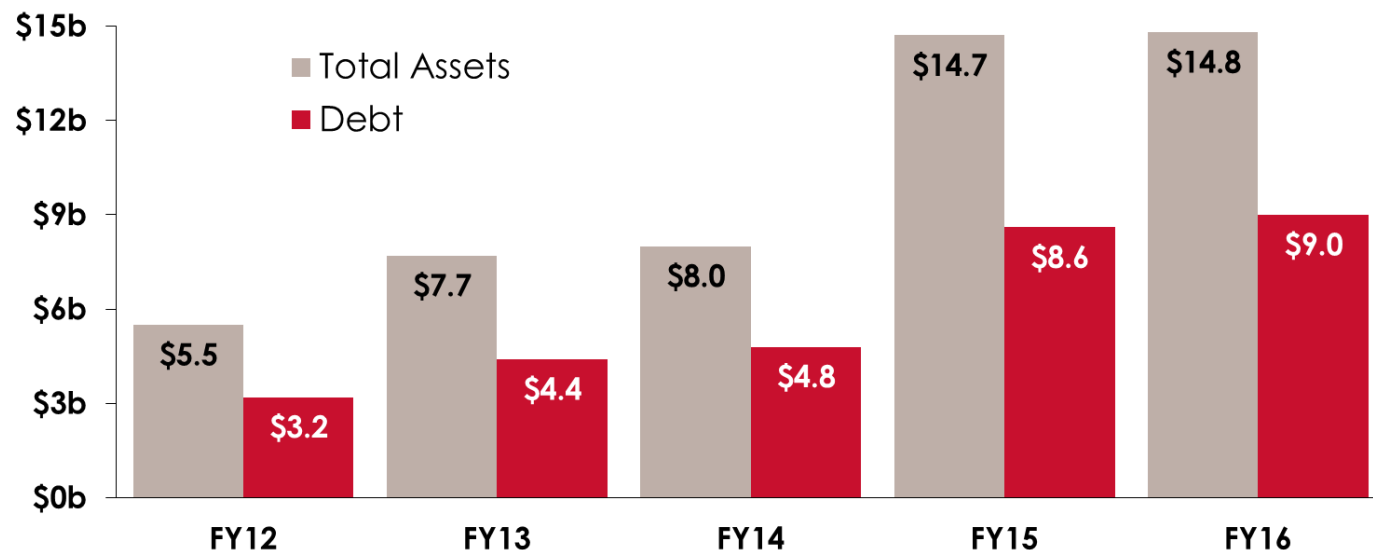


Notes:

- USPP notes of A\$86m were repaid in July 2016 upon their maturity
- A\$200m of 7 year notes (maturing in 2023) were issued under our AMTN program on 20 Oct 2016
- USD denominated obligations translated to AUD at the prevailing rate at inception in 2015 (USD144A @ 0.7879, EMTN & Sterling @ 0.7772)

balance sheet

- APA's debt portfolio has grown in step with growth in its Total Assets

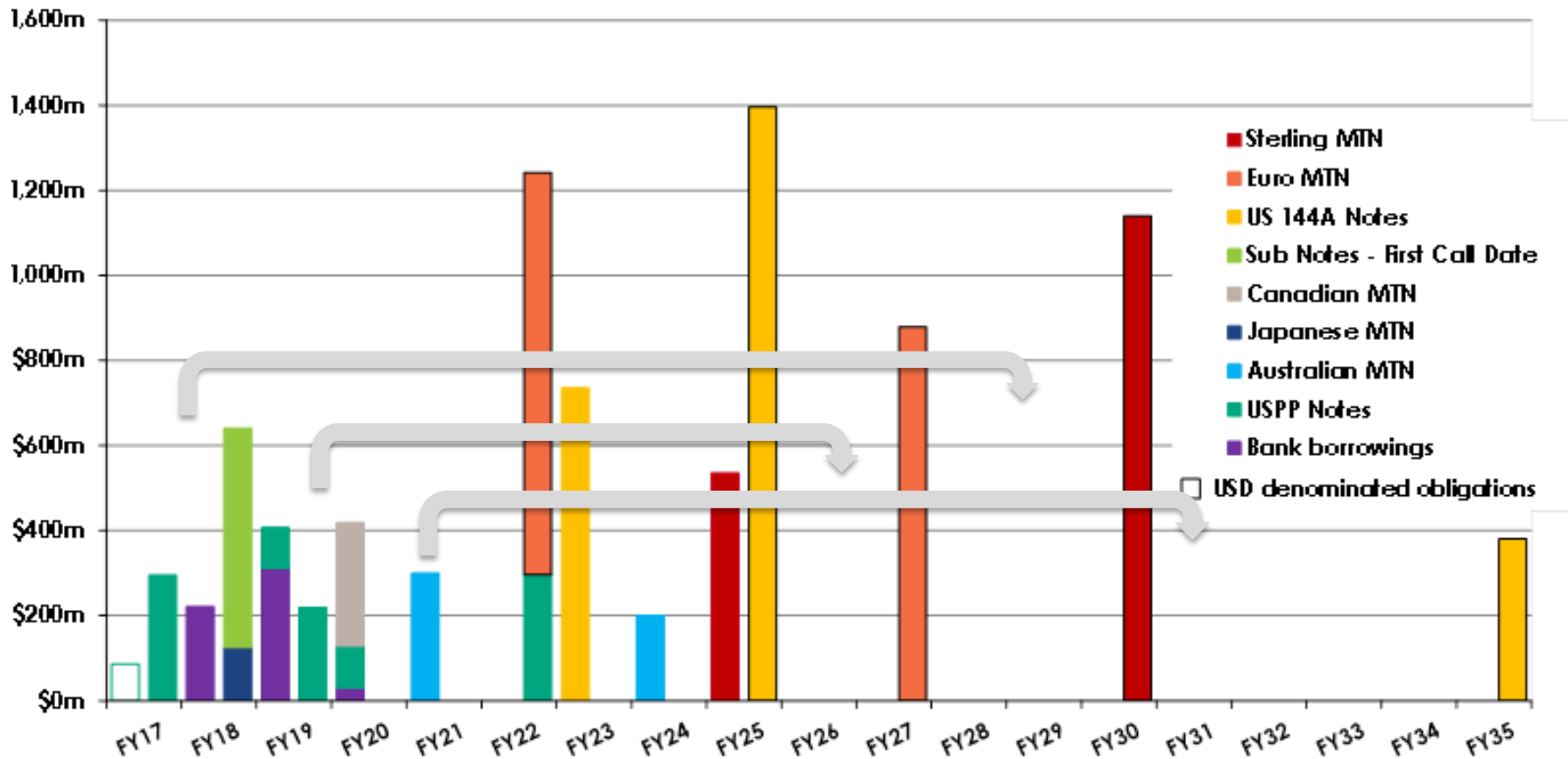


- Gearing in the range of 65% - 68% results in metrics consistent with maintaining stable BBB and Baa2 credit ratings

Metrics	Jun 2016	Jun 2015
Gearing (per bank compliance certificate)	66.4%	63.4%
Interest cover ratio (per bank compliance certificate)	2.60x	2.59x
Average interest rate for drawn debt	5.64%	6.76%
Interest rate exposure fixed or hedged	86.5%	94.0%
Average maturity of senior facilities	7.4 years	8.5 years
Cash and committed undrawn facilities	\$754 M	\$1.6 B

business-as-usual funding

- BAU debt raising over the next several years will focus on:
 - refinancing maturing US Private Placement notes in long term public markets; &
 - terming out bank borrowings in those markets as benchmark parcels of drawn loans accrue



risk management culture

- APA's Treasury & Risk Management Policy ("policy") addresses:
 - risk appetite and risk limits (interest rate, foreign exchange, counterparty exposure, liquidity & refinancing risks, et al)
 - hedging approaches
 - governance principles such as reporting structures, separation of duties and delegated limits of authority
 - credit rating objectives
- Generally, 100% of FX and 80-90% of interest rate exposures are hedged:
 - currently, +/- 25bp move in BBSW represents a -/+ \$2.9m risk p.a. to net profit
- Regular internal audits and robust Audit & Risk Management Committee reviews oversee ongoing operation of and compliance with the policy
- Investment Grade credit ratings are a prerequisite to participation in the global debt capital markets, so APA will maintain long-term credit ratings of at least BBB (stable) from Standard & Poor's and Baa2 (stable) from Moody's
- APA's commitment to its credit ratings is reiterated regularly by APA's Board & its senior management, e.g. annual meeting address by Chairman, Len Bleasel AM, 27/10/16:

"... we will ensure appropriate risk allocation and funding mix ensuring we maintain the BBB and Baa2 investment grade ratings that underpin the strength of our balance sheet ..."

credit ratings



- Continuously stable ratings from S&P and Moody's since initiation in 2009 & 2010 respectively
- Ratings components:
 - **Business Risk:** "EXCELLENT" classification:
 - large and diverse portfolio of quality gas pipelines and energy infrastructure assets
 - long-term agreements with customers with a high level of take-or-pay revenues
 - revenue stability and low operating risk *
 - **Financial Leverage:** "AGGRESSIVE" (S&P) / "HIGH" (Moody's):
 - "this high leverage is manageable because the group's large portfolio of assets and its commanding position in the Australian gas transportation market increases the visibility of the group's operating cash flow" *

"we expect APA to maintain FFO to debt of around 9-10% and FFO to interest coverage of around mid-2 times, compared with the minimum rating tolerance levels of 8% and above 1.9x respectively" *

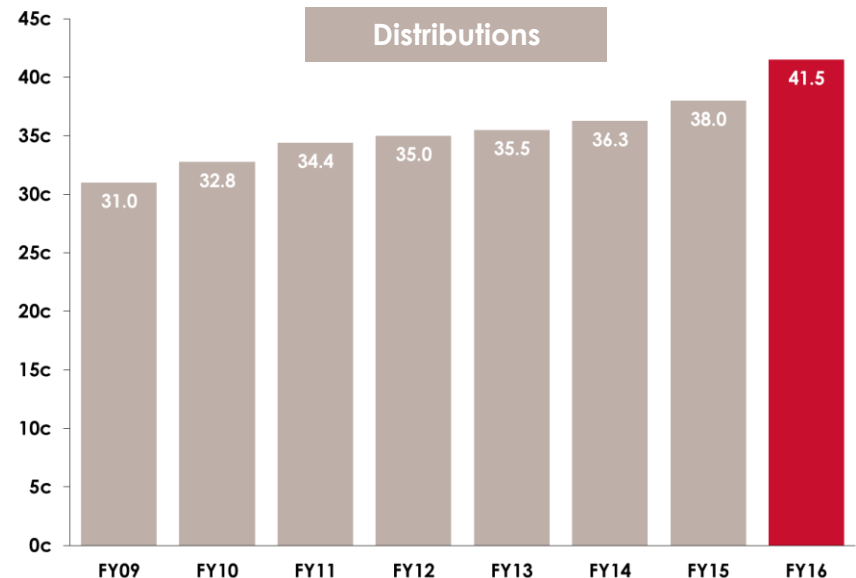
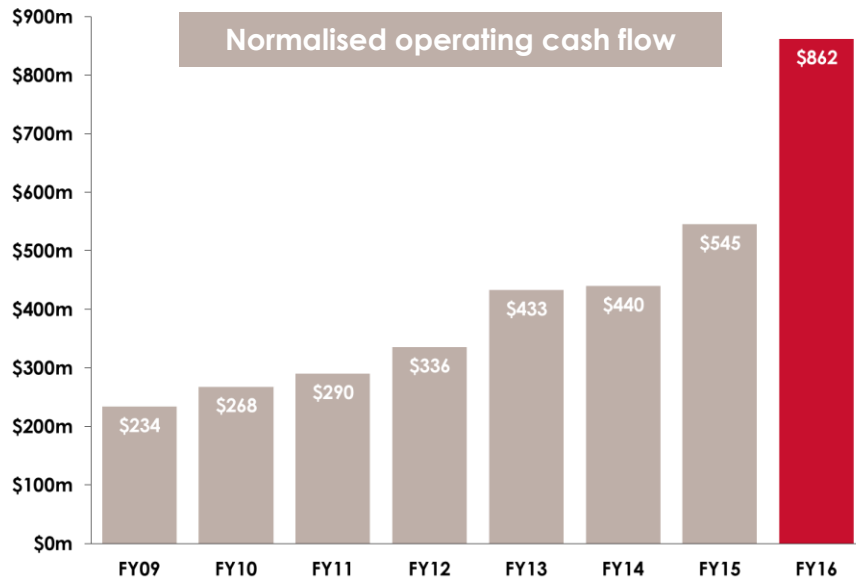
➤ **9.3% and 2.8 times as at 30 June 2016**

"notwithstanding APA's appetite for inorganic growth through asset acquisitions in recent years, the group has demonstrated its ability and commitment to manage leverage levels consistent with the rating" *

distribution policy

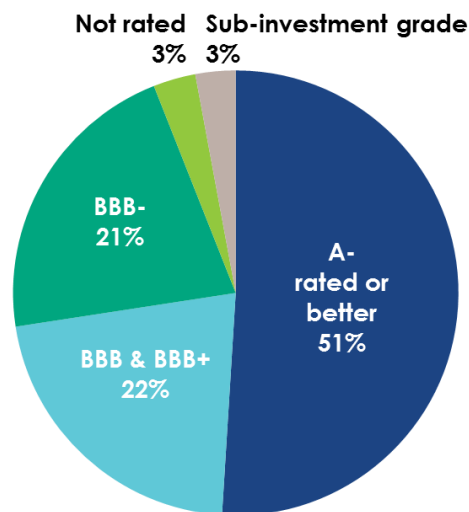


- Securityholder distributions are funded fully from Operating Cash Flow
- Grow generally in line with Operating Cash Flow
- Regard for capital needs of the business and economic conditions
- Sustainable over the long term

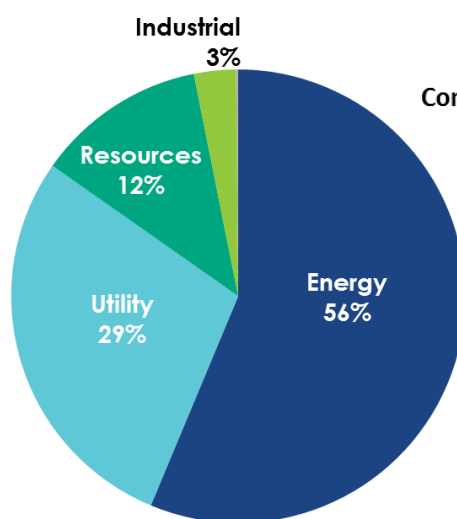


investment discipline

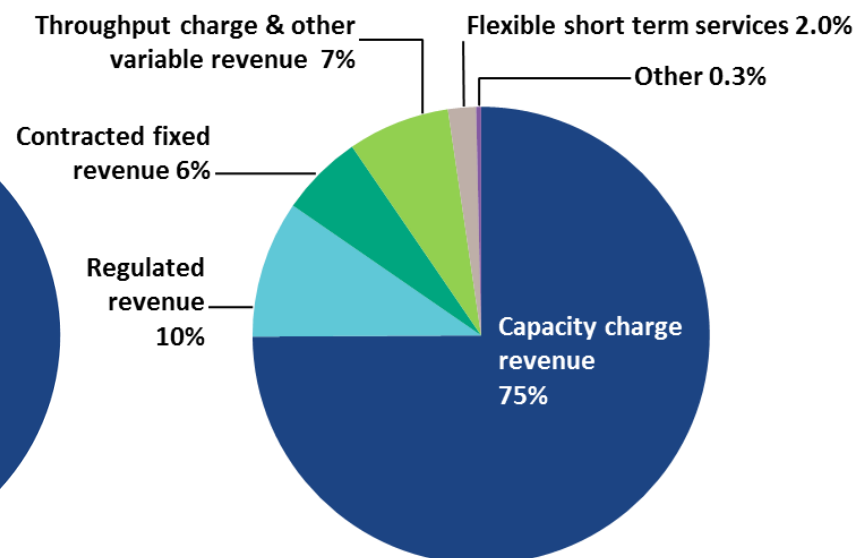
- Capital expenditure and acquisitions are funded with an appropriate mix of cashflows retained in the business; equity; and debt, to comfortably maintain BBB/Baa2 credit ratings
- At mid points of FY17 guidance, EBITDA less funding costs and distributions leaves \$435m retained to fund SIB and organic capex
- Majority of revenues earned from investment-grade shippers including gas producers, utilities and energy retailers as well as miners, an attribute which reduces exposure to cyclical downturns impacting specific industries
- Approximately 90% of revenues in the form of fixed capacity charges and regulated revenues



Customer Credit Rating



Customer Industry



Contract Type

- Total committed debt facilities at 31 October 2016

A\$ million	Facility amount	Drawn amount	Tenor
2015 & 2016 Bilateral bank facilities	550	30	2 to 5 year facilities maturing between May 2018 to May 2021
2015 Syndicated bank facilities	830	622	2.25, 3.25 and 5.25 year tranches maturing September 2017, 2018 and 2020
2003 US Private placement	96	96	15 year tranche maturing September 2018
2007 US Private placement	811	811	10, 12 and 15 year tranches maturing May 2017, 2019 and 2022
2009 US Private placement	99	99	10 year tranche maturing July 2019
2010 AUD Medium Term Notes	300	300	10 year tranche maturing July 2020
2016 AUD Medium Term Notes	200	200	7 year tranche maturing October 2023
2012 JPY Medium Term Notes	126	126	6.5 year tranche maturing in June 2018
2012 CAD Medium Term Notes	289	289	7.1 year tranche maturing in July 2019
2012 US144a Notes	735	735	10 year tranche maturing October 2022
2012 GBP Medium Term Notes	536	536	12 year tranche maturing in November 2024
2012 Subordinated Notes	515	515	60 year term, first call date March 2018
2015 US144a Notes ¹	1,774	1,774	10 and 20 year tranches maturing March 2025 and March 2035
2015 GBP Medium Term Notes ¹	1,140	1,140	15 year tranche maturing March 2030
2015 EUR Medium Term Notes ¹	1,826	1,826	7 and 12 year tranches March 2022 and 2027
Total	9,827	9,099	

Note 1. Retained in, or hedged into, fixed rate US dollar obligations

morning tea

recommence at 11am



section 6 east coast grid.



Ivan Byak, General Manager Commercial East Coast



development of transmission services

1969 - 2011	2012 - 2015	2016 & beyond
single asset	multi asset	multi asset & grid service
• Single asset • Single direction • Multiple GTA's • Separate control rooms • Basic services	• East Coast Grid • Linking of assets • Standard GTA's • ~ 40 receipt and ~100 delivery points • Bi-directional • Capacity trading • Controlled by IOC	• Customer Gas Portfolio • Management of gas • One bespoke GTA with a collection of standard services, value based • Access to trading hubs, power generation, retail and industrial







Old contract

- Underwritten by firm contracts
- Typically capacity + throughput
- Point to point
- No flexibility

Contracts today

- Underwritten by firm contracts
- Flexibility
- Storage
- In-pipe trades
- Capacity trading
- IOC managed

Benefits

for customers

- monetise their asset
- gas player rather than gas taker
- reduce risk of stranded gas

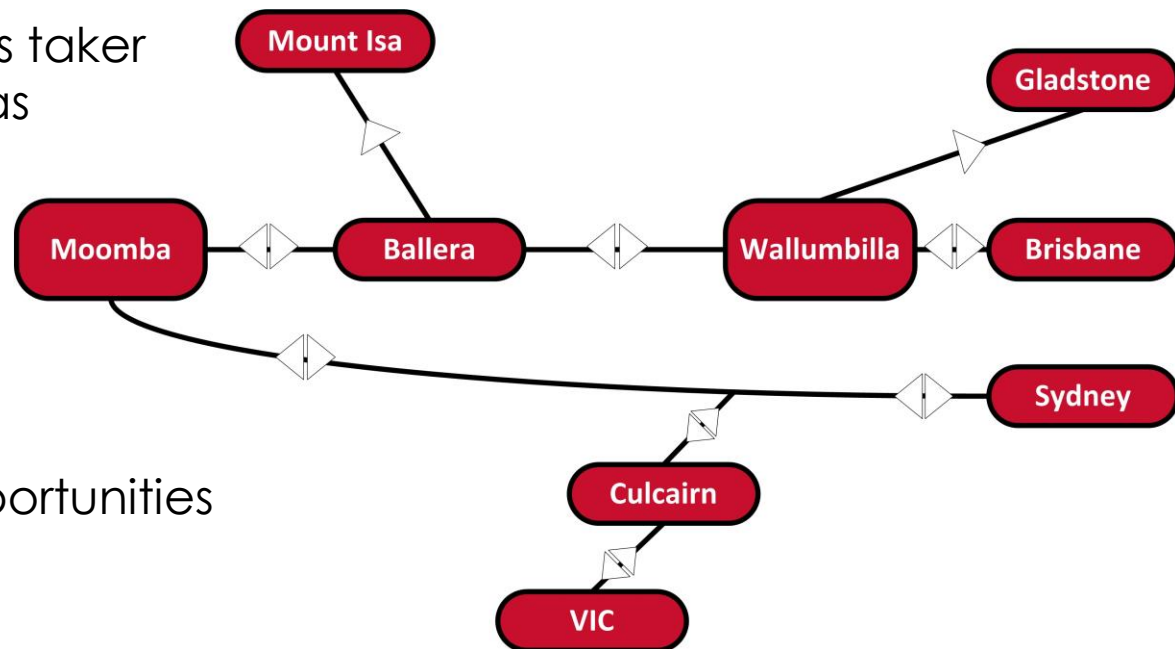
for market

- market solutions
- flexibility

for APA

- creates new revenue opportunities
- economies of scale

7,500+ km system, multi-functional



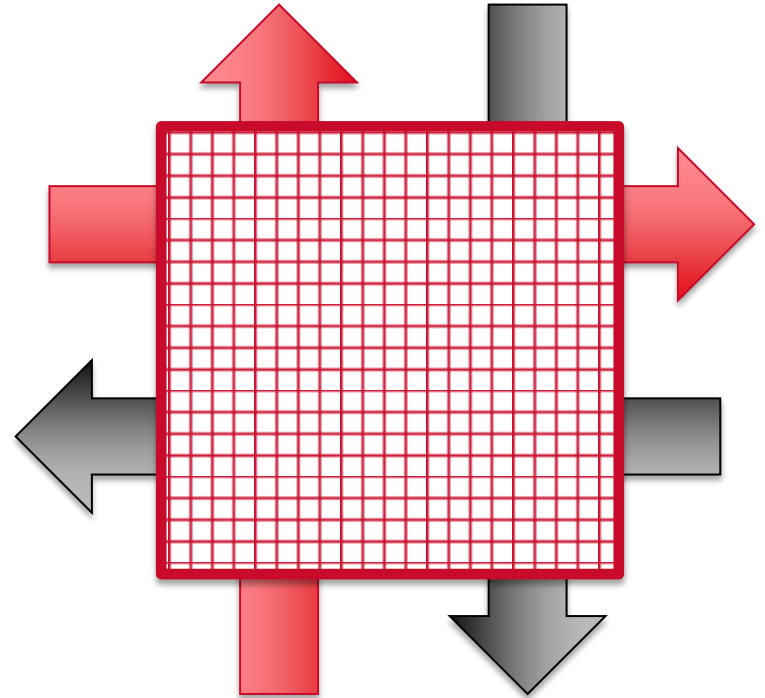
what the future looks like – grid services

Currently engaged in:

- customer engagement
- prototyping

Key objectives

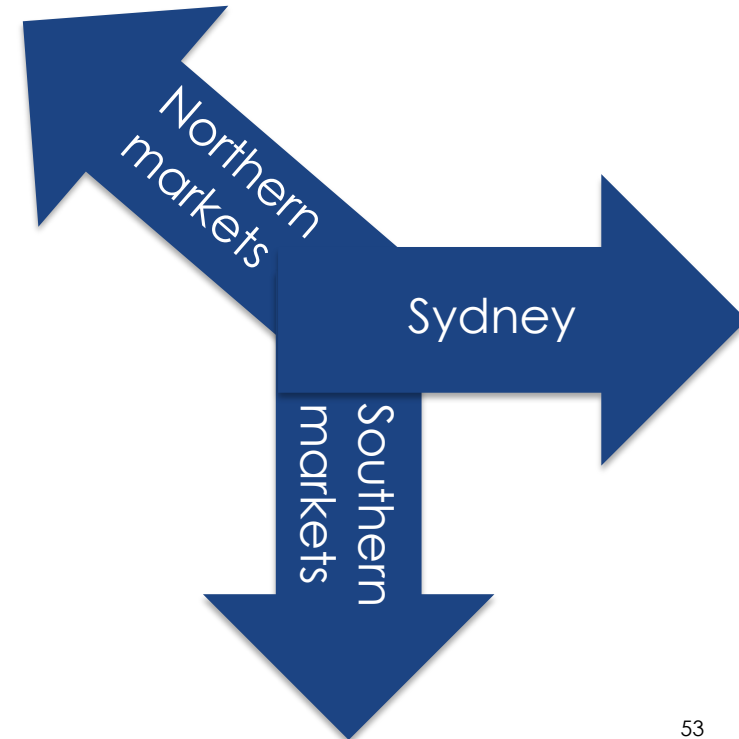
- **Simplicity**
reduced nominations
- **Flexibility and Optionality**
access to any receipt / delivery point
combination
- **Transparency**
supports informed decision making through
simplified information availability
- **Consistency**
standard product range
- **Smarter operation and optimisation**
enable greater firm delivery of gas on the
east coast grid



Service Type	Service Priority
Firm - Capacity reserved on a firm basis and delivered without interruption - Capacity reservation charge based on reserved MDQ	 High Priority Low
As Available - Delivery is firm if capacity is available and scheduled - Service sold in conjunction with a firm service	
Authorised Overrun - Delivery is on an interruptible basis if available and scheduled - Service sold in conjunction with a firm service	
Interruptible - Delivery is on an interruptible basis if available and scheduled - Service can be offered as a stand-alone service	



Flow reversal skid connects to pipeline for bi-directional flows



section 7

APA's submission to the Vertigan Review on gas pipeline coverage criteria.



Nevenka Codevelle, Company Secretary & General Counsel



Vertigan Review - how we got here

April 2015

ACCC commences 12 month East Coast Gas Inquiry (ECGI) following request by Commonwealth given concerns as to sufficiency of gas supply

April 2016

ECGI Report released

Aug 2016

CoAG considers report and asks Dr Michael Vertigan to consult and advise whether (as the ACCC claims) there is sufficient evidence to justify a change to the test for pipeline regulation (coverage test)

Mid Oct 2016

Submissions and consultation

Dec 2016

CoAG to consider Dr Vertigan's findings and recommendations



ACCC PROPOSITION:

Widespread monopoly pricing resulting in inefficient outcomes justifies a lowering of the threshold for regulation

APA RESPONSE:

Monopoly pricing claim is **FLAWED**



CEG Economics

Impact of lower tariffs on delivered price of gas is **UNCLEAR**



CEG Economics

Cost of increased regulation and uncertainty is **SIGNIFICANT**



The Brattle Group

Current coverage test works and provides **CERTAINTY**



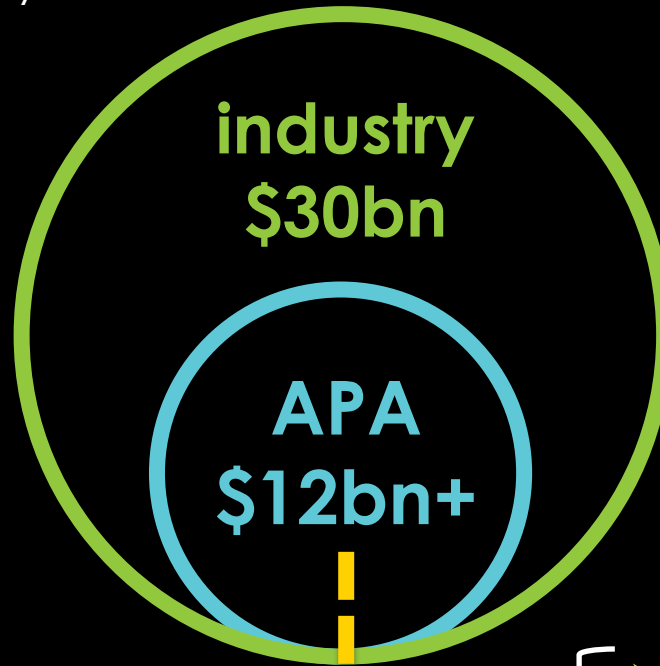
Neil Young QC opinion

Houston Kemp Economists

Pipelines have delivered – innovation and investment since 2000

...enabling optimised efficient use of network of assets and innovative service delivery

- ✓ service availability
- ✓ reliability
- ✓ flexibility supporting a trebling of demand



market efficiency benefits

- **\$120m - \$150m** since 2012 from the East Coast Grid
- **\$15m - \$32m p.a.** going forward

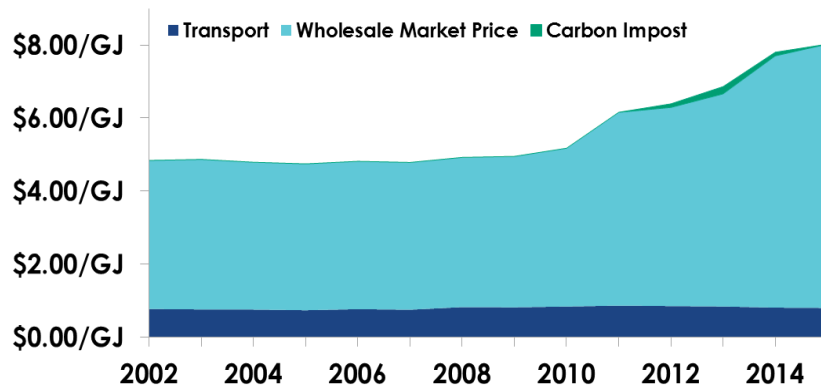
The Brattle Group Report, 2016

pipeline tariffs - impact on gas prices



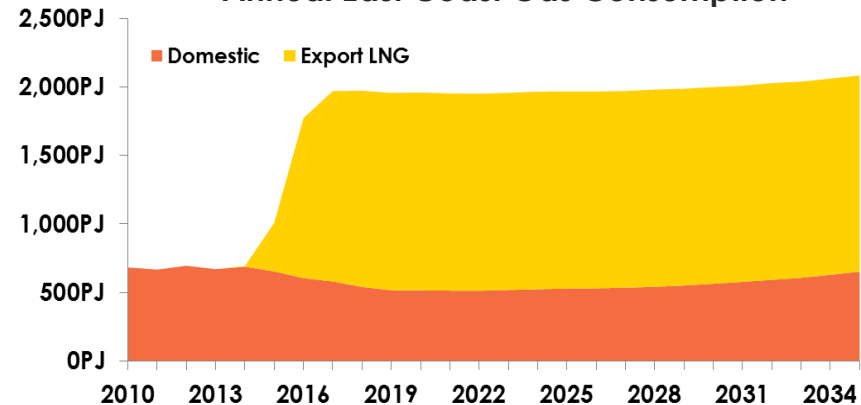
- Transmission pipeline tariffs make up 5-10% of the delivered price of gas for retail customers
- Gas transmission charges have not increased in real terms year on year since 2002 notwithstanding a 65% increase in delivered gas price in that time
- ACCC claim that 10-50% reduction in transport tariffs could lead to \$0.20/GJ to \$1.02/GJ reduction in delivered price of gas is overly simplistic and unreliable - Unrealistic assumption of 100% pass through by producers to customers of any transport saving

Eastern Australia industrial market wholesale gas prices



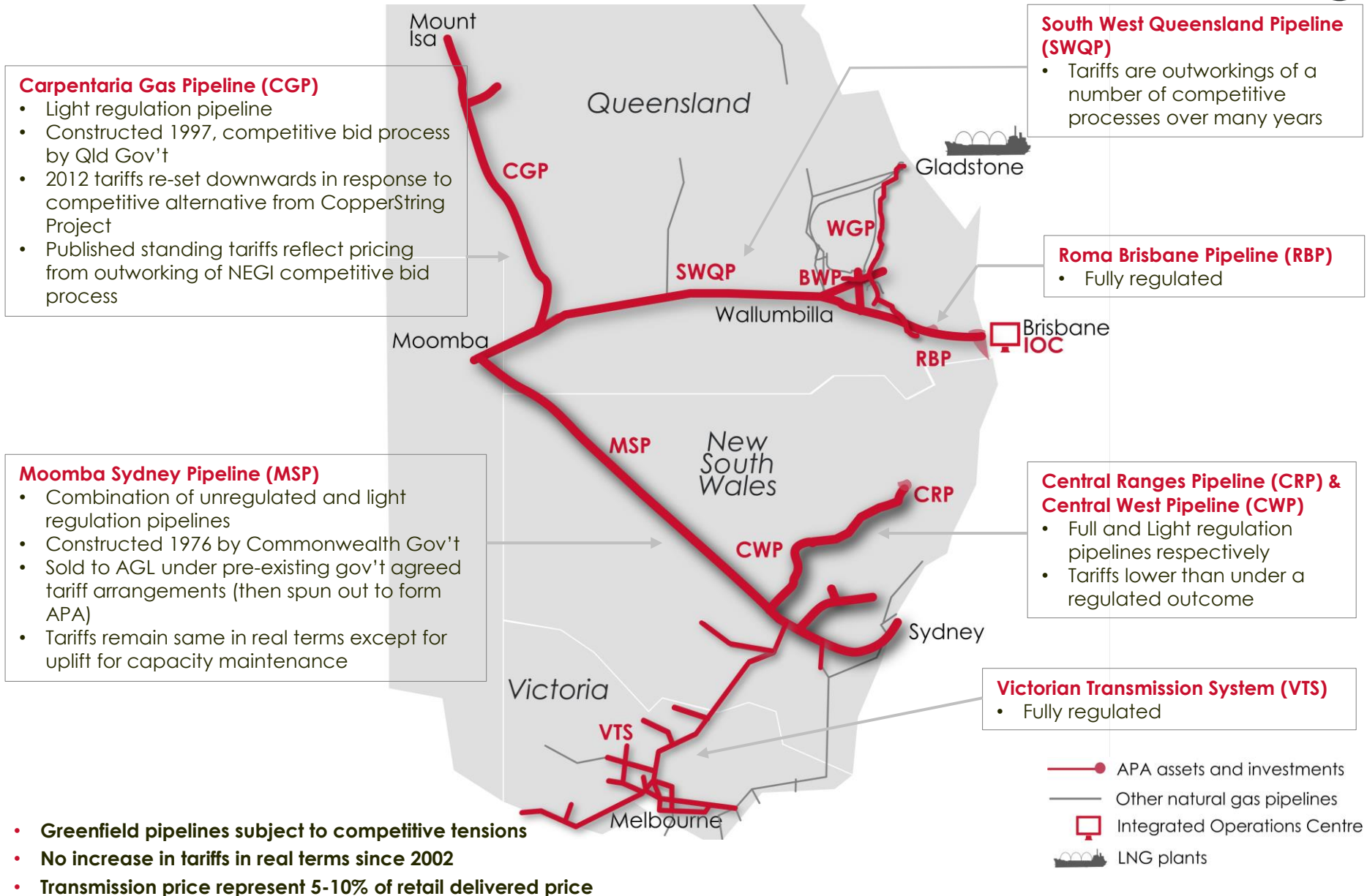
Source: Gas Price Trends Report, large industrial customer data, Feb 2016, Oakley Greenwood, commissioned for the Department of Industry, Innovation and Science.

Annual East Coast Gas Consumption



Source: AEMO

pipeline tariffs are outworkings of competitive process or regulation

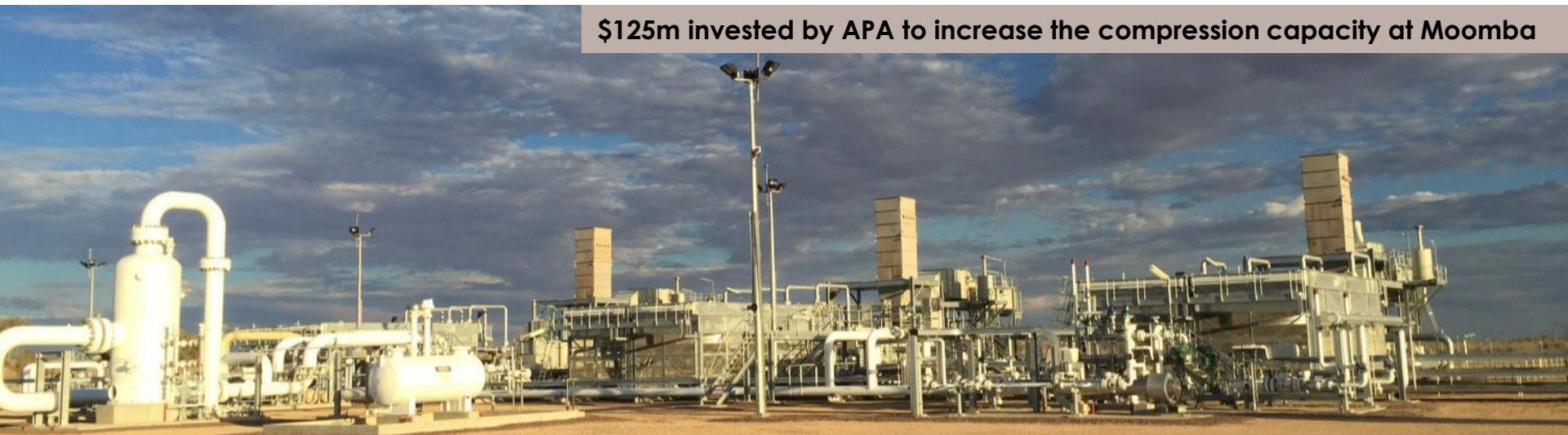


ACCC findings of monopoly pricing are flawed



- ACCC accepts active competition for pipeline development with shippers securing competitive price outcomes
- ACCC relies on 3 flawed propositions:
 1. **excessive rates of return on incremental projects**
 2. **pricing for ancillary services is too high**
 3. **charging above operating costs on older pipelines is not warranted**

\$125m invested by APA to increase the compression capacity at Moomba

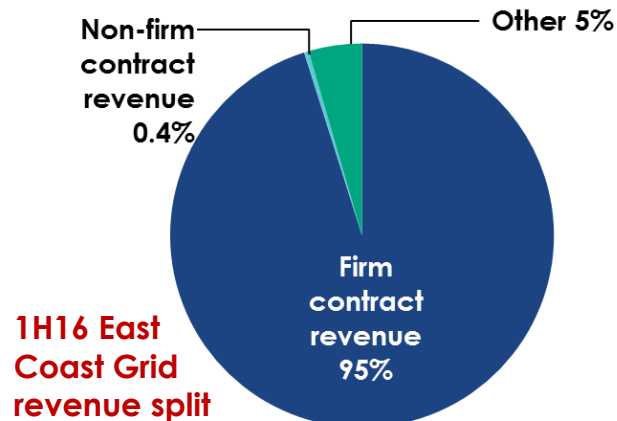


incremental project returns

- Some perspective – in aggregate, the 6 APA projects **account for less than 1.25% of APA's enterprise value**
- Misleading to look at incremental project returns on stand alone basis without regard to underlying asset value
- Regulated return not an appropriate benchmark – risks borne by unregulated assets are higher than if regulated

minor ancillary services

- Ancillary services made up **less than 0.5%** of APA's total revenue for 1HFY16
- Only 2 instances out of some 300 contracts of APA pricing above ACCC benchmark with negligible revenues
- APA standard pricing for ancillary services is consistent with that approved by the AER for regulated pipelines



older pipelines

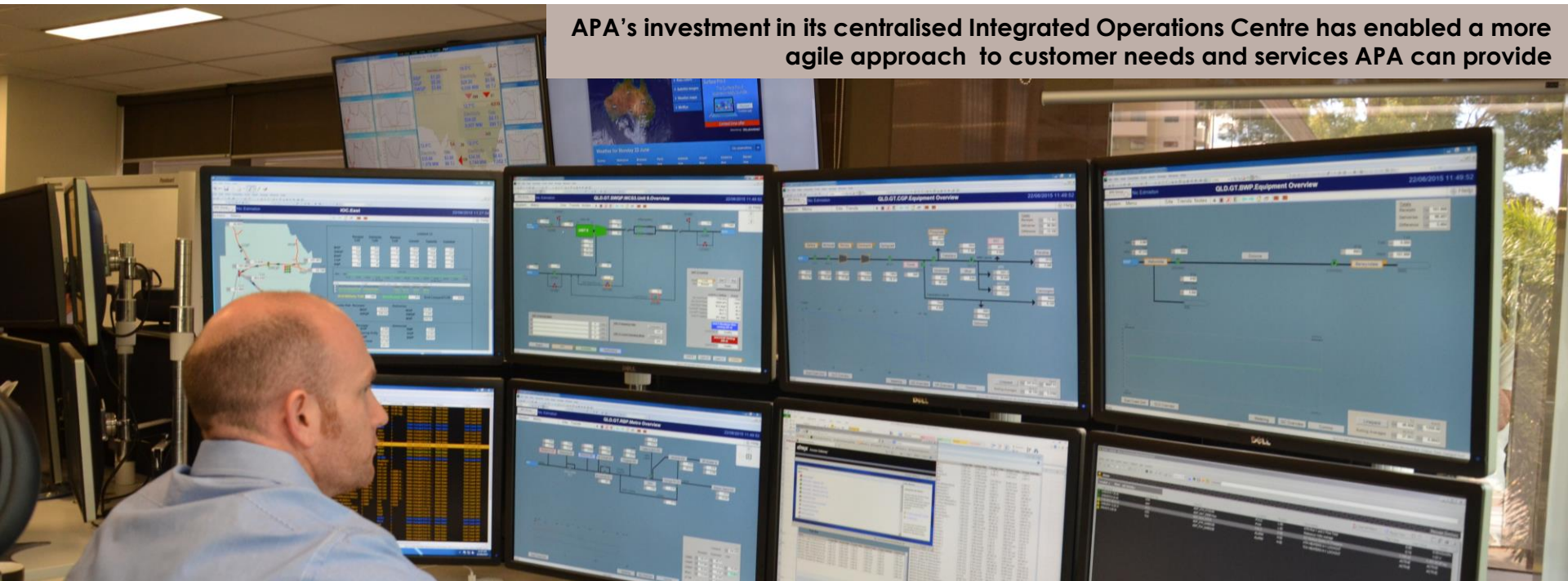
- ACCC assertion that once the construction costs have been recovered, tariffs should reduce to operating cost only
- Approach is inconsistent with charging in competitive industries which reflects new entrant costs, and also with well established regulatory principles and the National Gas Rules

coverage test



- Since Hilmer in 1993, three reviews by Productivity Commission (2013, 2004 and 2001) and the Harper Review (2015) – no substantive change recommended
- ACCC asserts the current test does not deal with monopoly pricing, non vertically integrated industries and inappropriately considers competition instead of efficiency
- Each assertion is incorrect and ignores how decision makers, the Competition Tribunal and the Courts have applied the test

“The conclusions the ACCC reaches based on the examples amount to no more than unsubstantiated assertions” Neil Young QC



APA's investment in its centralised Integrated Operations Centre has enabled a more agile approach to customer needs and services APA can provide

consequence of ACCC's Test is uncertainty... stymies investment

ACCC acknowledges dampening effect of regulation on investment and innovation

Current alignment between the gas pipeline coverage test and general National Access Regime would be broken

Would lose 20 years of established principle and regulatory certainty

ACCC test is extremely broad and confers "considerable discretion" on the decision maker and doesn't provide any "practical guidance", Neil Young QC

Uncertainty stymies investment incentives



\$325m investment on expansion projects on the South West Queensland Pipeline to increase capacity and flow direction flexibility

a final word



- Industry has delivered for the market – unrivalled record of investment and innovation
- ACCC claims of monopoly pricing are flawed, no case for change to current coverage test
- ACCC test would destroy investment and innovation, at a time when particularly needed to enable transition to a cleaner energy future
- Increased regulation is not the solution to increasing gas supply

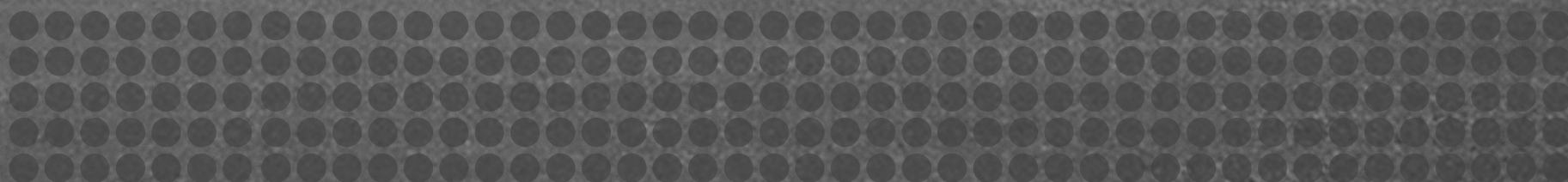


\$6bn investment by APA to acquire the Wallumbilla Gladstone Pipeline, increasing the seamless, interconnected East Coast Grid by another 556kms

section 8 general regulatory update.



Peter Bolding, General Manager Strategy & Regulatory



In response to the fundamental changes in the East Coast gas market a package of gas market changes has been initiated by the Council of Australian Governments Energy Council at its August 2016 meeting

The package of changes addresses

- **Gas Supply**
- **Market Operation**
- **Gas Transportation**
- **Market Transparency**



Wallumbilla Hub

- **Market operation**

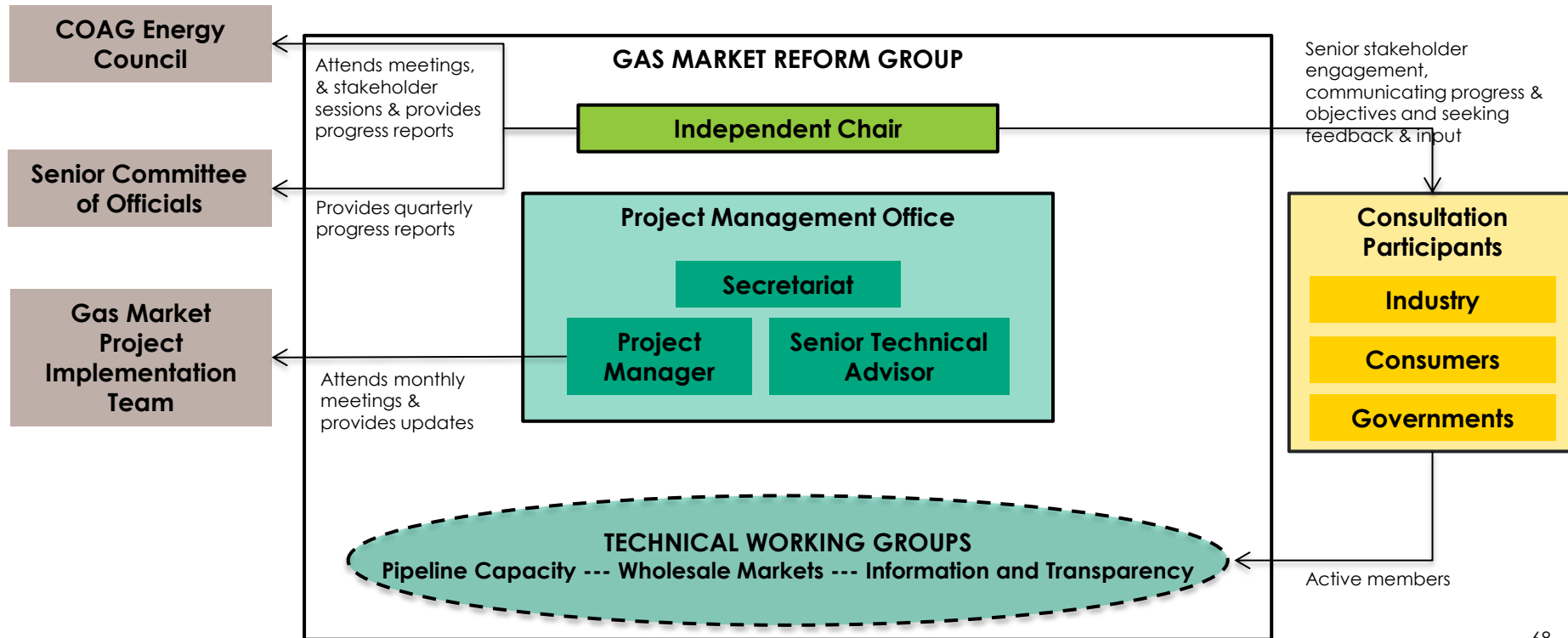
- establish two trading hubs for gas commodity:
 - **a physical Northern Trading Hub at Wallumbilla**
 - **a virtual Southern Trading Hub over the VTS**

- **Gas transmission pipelines**

- capacity auctioning for contracted but un-nominated capacity
- standardisation of operational, prudential and other provisions in gas transportation agreements
- platform for electronic exchange based trading of pipeline capacity products
- publication of information (including pricing) on all secondary trades of pipeline capacity and hub services
- increased information disclosure by pipelines
- review of Parts 8 to 12 of National Gas Rules

gas market – implementing the changes

- Reforms to be implemented by Gas Market Reform Group (GMRG), headed by Dr Michael Vertigan, and supported by dedicated project team
- GRMC to consult with stakeholders (industry, consumers, governments), and stakeholders to be represented on technical working groups
- GMRG to be operational by December 2016
- Implementation of reform package over the period 2016 to 2021



AEMC review of the Victorian declared wholesale gas market



- **AEMC draft final report was released 21 October 2016**
- **AEMC recommends:**
 - a new Southern Hub model where gas trading would occur on a voluntary, continuous basis
(in contrast to current mandatory pool)
 - a mandatory, continuous balancing mechanism
(participant incurs System Operator balancing costs if it is out of balance in the same direction that the system as a whole is out of balance)
 - access to the VTS through tradeable entry and exit capacity rights
- **Much detail yet to be determined**
 - detail deferred to the GMRG
 - APA unconvinced of the benefits relative to the current structure
 - Does not use commercial drivers to deliver asset efficiency



Wollert compressor station, VIC

Roma Brisbane Pipeline access arrangement



- **Next access arrangement period 1 July 2017 – 30 June 2022**
- **LNG projects have resulted in changes in gas flows in the region**
 - midline injections from CSG fields are becoming more prominent
 - changes in the Brisbane and power generation markets
- **In response to customer demand, RBP proposes to include within the reference services**
 - both Eastbound and Westbound gas transportation services
 - both Long Term and Short Term arrangements
- **Draft decision expected Jan 2017; Final decision expected June 2017**



Bi-directional flow on Roma Brisbane Pipeline

Victorian transmission system access arrangement

- **Next access arrangement period 1 January 2018 – 31 December 2022**
- **Revision proposal due 1 January 2017**
 - Preparation of proposal is well advanced
- **AEMO forecasts some reduction in gas demand in Victoria**
 - However, APA experiencing high demand for gas flows from Victoria into NSW and Queensland
 - \$230m investment during current access arrangement period to support increase of 160TJ/d flows north
- **AEMC Victorian market review and the GRMC process not expected to affect next access arrangement**
 - Will depend on timing and nature of policy decisions and implementation dates



Winchelsea compressor station

A photograph of a group of people, likely at a public event or conference, with a red tint. In the foreground, a man in a light-colored shirt is holding a microphone and looking towards the left. Behind him, a woman with glasses is also looking left. To the far left, another man is visible, looking towards the center. The background is slightly blurred, showing other people and what appears to be a stage or presentation area. The word "questions?" is overlaid in white text in the center of the image.

questions?



thank you.



For further information contact:

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Tel +61 2 9693 0049
E-mail yoko.kosugi@apa.com.au

Or visit the APA website at:

www.apa.com.au

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