

ASX & Media Release

Powering Australian Renewables Fund achieves first major milestone

14 November 2016

AGL Energy Limited (AGL) today announced on behalf of the Powering Australian Renewables Fund (PARF), that it has reached financial close on selling its 102 MW Nyngan and 53 MW Broken Hill solar plants into the fund.

The AU\$257 million sale, with approximately nil profit on sale, includes AGL writing a long term offtake agreement with the Nyngan and Broken Hill solar plants.

Lenders to the transaction are Westpac, NAB, Sumitomo Mitsui Banking Corporation (SMBC), Mitsubishi UFJ Financial Group (MUFG) and BNP Paribas.

AGL Managing Director & CEO, Andy Vesey, said today marked a major milestone in the landmark partnership with equity partner QIC and its clients the Future Fund and the QIC Global Infrastructure Fund.

"We're very encouraged by the level of interest and calibre of lenders wanting to get involved in the PARF. AGL created the Fund to help kick-start the investment deadlock in renewable projects by providing an innovative financing platform where like-minded organisations can share the investment risk over the medium-to long-term.

"The PARF has acquired the Nyngan and Broken Hill solar plants as seed assets ahead of schedule and we're confident of announcing the first new renewable project build ahead of our original March 2017 target as well," said Mr Vesey.

AGL Chief Financial Officer, Brett Redman, added: "The PARF will continue to raise debt on a project-by-project basis. Based on the activity we've seen so far, we believe the fund will continue to secure strong debt-market support."

Mr Ross Israel, Head of QIC's Global Infrastructure team said: "We have been pleased with the collaborative approach taken to reach this important milestone. PARF's governance and investment framework has been tested and now successfully implemented with this first acquisition. We look forward to continuing to grow the renewable energy asset portfolio through PARF with our partner AGL."

It is anticipated AGL's proposed wind farms in Silverton in New South Wales and Coopers Gap in Queensland will be the first two projects offered to the Fund.

On behalf of the PARF, AGL will develop and manage approximately 1,000 MW of large-scale renewable energy infrastructure assets and projects. This represents 20 percent of the estimated¹ 5,000 MW of new renewable generation capacity required by 2020 to meet the Federal Government's Renewable Energy Target (RET).

With the Paris Agreement now in effect, to ensure further investment in new renewables in the global path to decarbonisation, market reform is required to address Australia's over-

¹ [EY Renewable energy country attractiveness index, May 2016 Issue 47, p17](#)

supplied energy generation market. This requires policy changes which facilitate the orderly rather than disorderly exit of emissions-intensive power stations.

"The framework of Australia's 'energy only' market must also be reviewed to consider how to mitigate the unintended consequences of introducing renewables. New renewables investment policies could require renewable projects to staple a 'firm capacity right' to their projects.

"For example, each renewable power station would contract with a firm, flexible thermal plant to provide a 'virtual power plant' that is largely renewable but also 'firm' and can be called upon when needed," explained Mr Vesey.

Background information:

The PARF has the potential to deliver 20 percent of the remaining 2020 RET target:

- Abating over 1.5 million tonnes of greenhouse gas emissions
- Enough to power more than 300,000 homes
- Equivalent to removing approximately 374,000 cars off the road.

AGL provided \$200 million in equity funding to the PARF, QIC, on behalf of its clients the Future Fund and the QIC Global Infrastructure Fund, provided \$800 million.

The bundled offtake price will be ~\$95/MWh (real) for five years and will be reduced by ~\$10/MWh (real) for the following five years should PARF exercise its option to extend the offtake.

Further inquiries:

Investors

Nicole Rizgalla, Investor Relations Manager
Direct: +61 2 9921 2691
Mobile: +61 (0) 400 488 836
email: nrizgalla@agl.com.au

Media

Kathryn Lamond, Media Manager
Direct: +61 2 9921 2170
Mobile: +61 (0) 424 465 464
e-mail: klamond@agl.com.au

About AGL

AGL is one of Australia's leading integrated energy companies. It is taking action to responsibly reduce its greenhouse gas emissions while providing secure and affordable energy to its customers. Drawing on over 175 years of experience, AGL serves its customers throughout eastern Australia with meeting their energy requirements, including gas, electricity, solar PV and related products and services. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, solar, landfill gas and biomass.