

AGL Greenhouse Gas Policy

Greenhouse gas pollution is one of the most important issues facing the world today. AGL recognises that deteriorating air quality and climate change are critical issues facing the global community and accepts the scientific consensus that greenhouse gases in our atmosphere need to be stabilised so as to avoid adverse health impacts and assist in reducing dangerous climate change.

Climate Change Science

The Intergovernmental Panel on Climate Change (IPCC) believes that significant global anthropogenic greenhouse gas (GHG) emission reductions are required by the middle of this century to stabilise the concentration of carbon dioxide equivalent CO₂e in our atmosphere. AGL notes that the IPCC estimates that to ensure that temperatures do not increase by beyond 2⁰C above pre industrial revolution levels, the concentration of CO₂e should not exceed around 450 parts per million (ppm). This effectively requires global emissions to peak in 2015 and be reduced by up to 85% relative to 2000 levels by mid-century. The current concentration of CO₂e in the atmosphere (including cooling gases such as aerosols) is around 380 ppm.¹

Emission Reduction Targets

AGL supports the leadership position adopted by the Commonwealth Government in committing to support a global agreement to stabilise levels of greenhouse gases in the atmosphere at 450 parts per million CO₂e or lower by mid century. AGL notes that this translates into an emission reduction target of up to 25% below 2000 levels by 2020.²

Longer-term, AGL believes that achievement of a 450 parts per million goal may require the complete decarbonisation of the electricity sector by mid-century. In this context and given current policy and market settings, AGL does not have any plans to invest in the development of new conventional coal-fired power stations as the emissions profile is inconsistent with the achievement of these targets.

Policies Required

AGL supports four key policies to achieve the proposed emission reduction targets and mitigate the costs associated with climate change and related health impacts:

- > Expedited development and implementation of a national emissions trading scheme which uses a broader long-term GHG emissions reduction target as its goal.
- > The deployment of renewable technologies through a single national clean energy obligation.
- > All existing State-based energy efficiency obligations must be amalgamated into a single national energy efficiency obligation.
- > Appropriate adaptation measures to ensure that Australia is not adversely impacted by existing GHG concentrations in the atmosphere.

¹ Climate Change 2007, Synthesis Report, Intergovernmental Panel on Climate Change, p. 67

² http://www.climatechange.gov.au/emissionstrading/pubs/carbon_pollution_target.doc



Policy Principles

These policies should be developed using the following principles:

- > *National Character* - Policy and measures should be developed so that they operate nationally and not on a State or regional basis.
- > *Economy wide approach* - GHG abatement should be tackled across all sectors of the economy.
- > *Least cost abatement* - GHG abatement should be pursued on a least cost basis.
- > *Management of price impact* - Price shocks to energy end users and export industries should be minimised through appropriate grandfathering.
- > *Coverage* - GHG abatement policy should cover carbon dioxide equivalent and therefore all of the six main greenhouse gases.
- > *Equitable allocation of emissions rights* - Investments made in the context of current regulatory settings should be recognised and appropriately treated.

AGL Commitments

As part of AGL's sustainable business strategy, AGL is committed to:

- > Incorporating a forecast of future carbon pricing into all major business decisions.
- > Continuing to publish information about the greenhouse gas impacts of our investments, operations and supply chain.
- > Benchmarking our own performance (both using our supply chain intensity and our own generation intensity) against the overall industry.
- > Working with all our stakeholders to progress policy options and initiatives to reduce GHG emissions.
- > Expanding our investments in low emission and renewable generation, as well as commercialising new technological options for reducing emissions such as electric vehicles and geothermal energy.
- > Continuing to assess adaptation risks to AGL and in particular the impacts of higher temperatures on electricity and gas demand profiles.
- > Improve the greenhouse gas efficiency of our operations, and those in which we have an influence.