



PWC Renewable Energy Breakfast

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20 April 2012

Agenda

- Infigen Energy Overview
- Industry Context & Electricity Market Competition
- Evolution of the Renewable Energy Target
- Renewable Energy Target Review
- Clean Energy Future – CEFC, ARENA, Carbon Price
- Strategic Consideration

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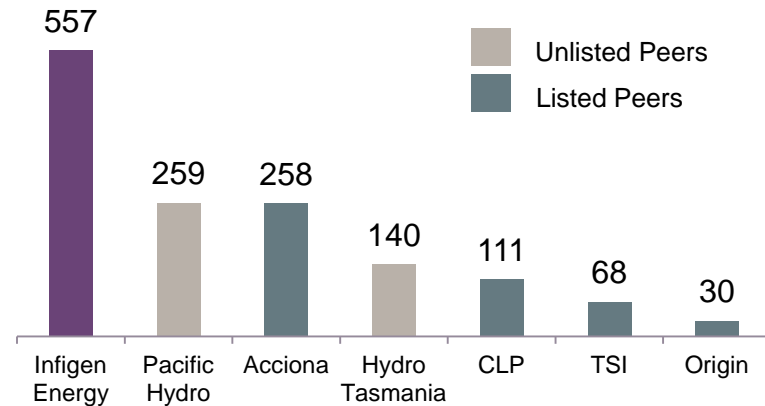
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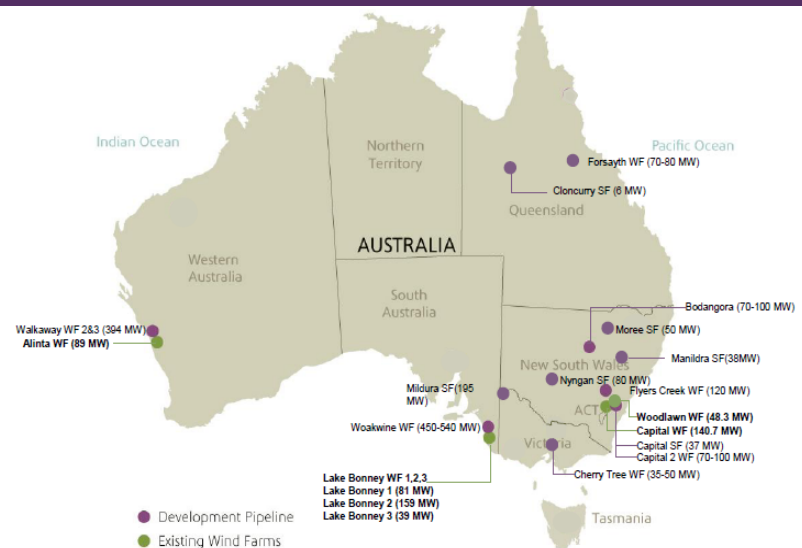
Infigen Energy Overview

- Operate over 1,600MW of wind energy generation globally
- Largest owner of wind energy capacity in Australia
- Development, asset management and energy markets capabilities in Australia
- Own and operate a top ten business in US wind energy industry
- Sydney HQ; ASX listed (ASX:IFN)

Australian Wind Farm Owners (operating MW)¹



Development Pipeline

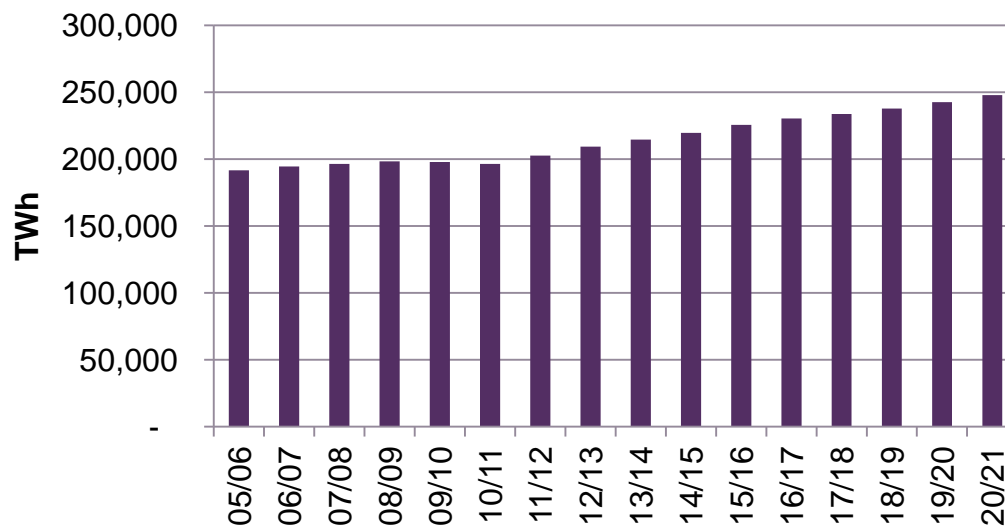


Industry Context

Energy demand growth combined with the renewable energy target will drive significant generation investment over the coming decade

- Average annual energy growth projected to be 2.3% to 2021
- Renewables (excluding Hydro) currently account for ~1% of installed NEM capacity
- Forecast requirement of >8,000 MW of new wind investment by 2020
- Expected capital investment of ~\$20 Bn
- Solar PV generation economics rapidly improving

NEM medium energy projection

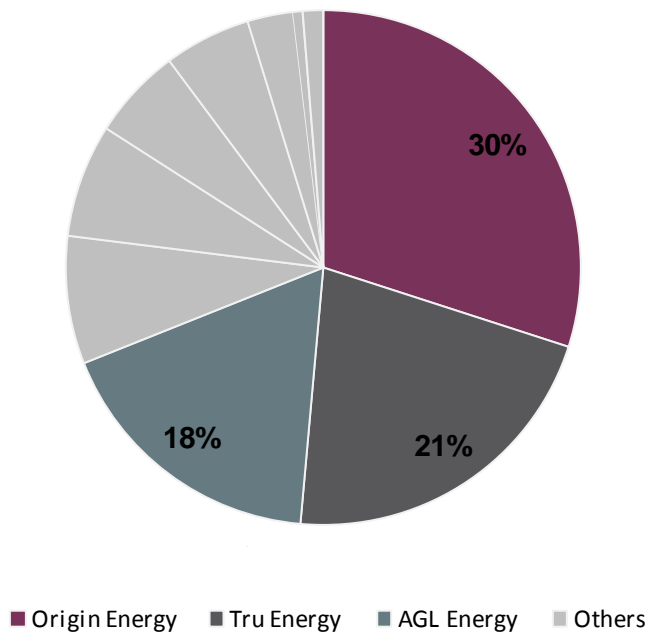


Source: AEMO, 2011 Electricity Statement of Opportunities, 10 November 2011

Australian Electricity Market Competition

An oligopoly has formed as a result of state privatisation but new competitors now emerging

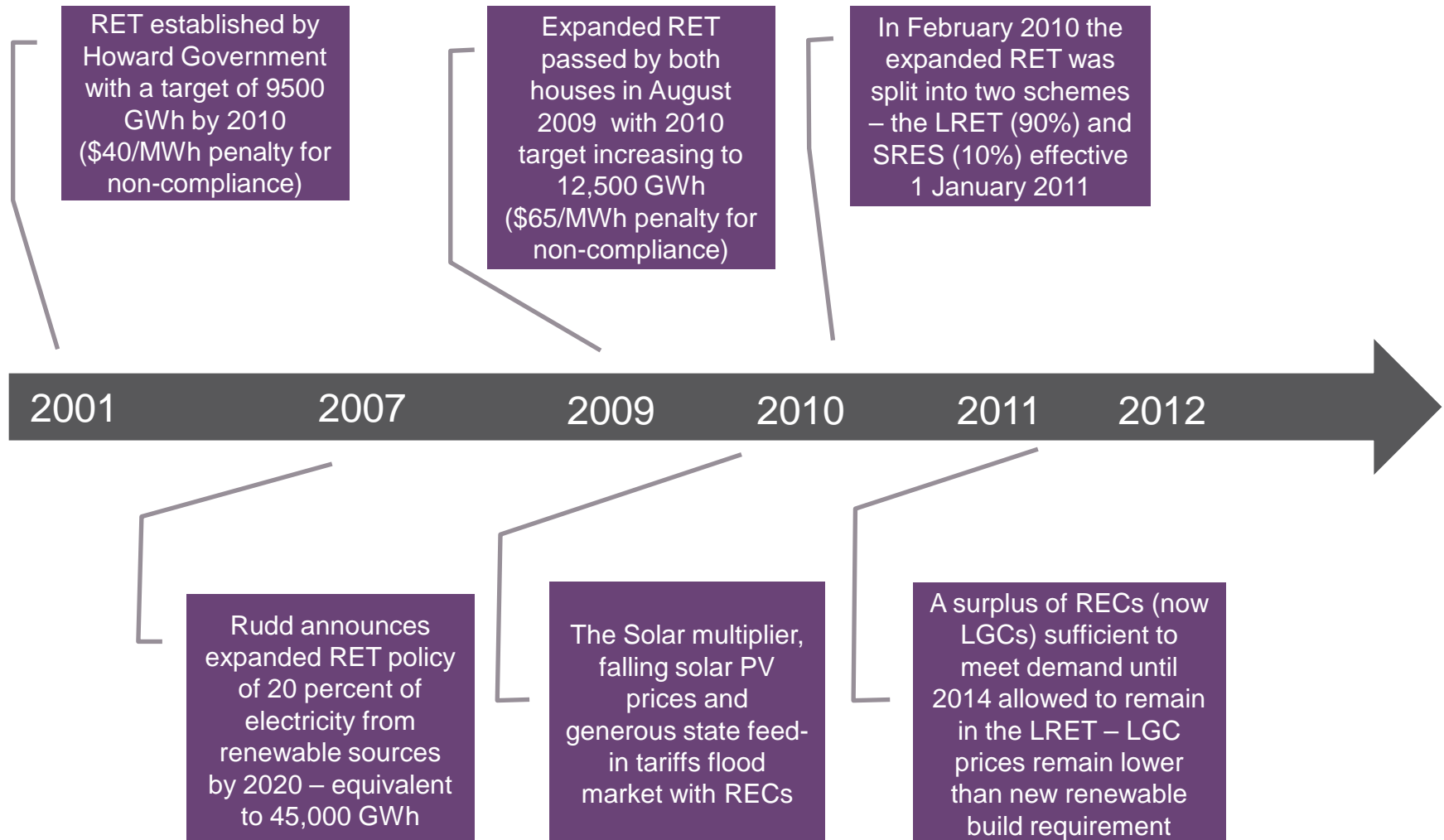
AUSTRALIAN ELECTRICITY MARKET SHARE as % of volume served nationwide in 2011



- Privatisation of state owned electricity retailers over the last decade has resulted in an oligopoly and a diminished pool of customers for independent renewable energy power producers
- Off-take agreements have been unavailable at prices that would achieve acceptable investment returns
- For this reason investment in new renewable energy plants, including wind farms, has stalled
- Independent power producers responding by competing with retailers for end-users
- It is essential that wind energy construction starts to ramp up soon if the expanded RET target is to be met at a reasonable cost
- Failure to do so will result in a supply shortage and potentially the price of LGCs more than doubling

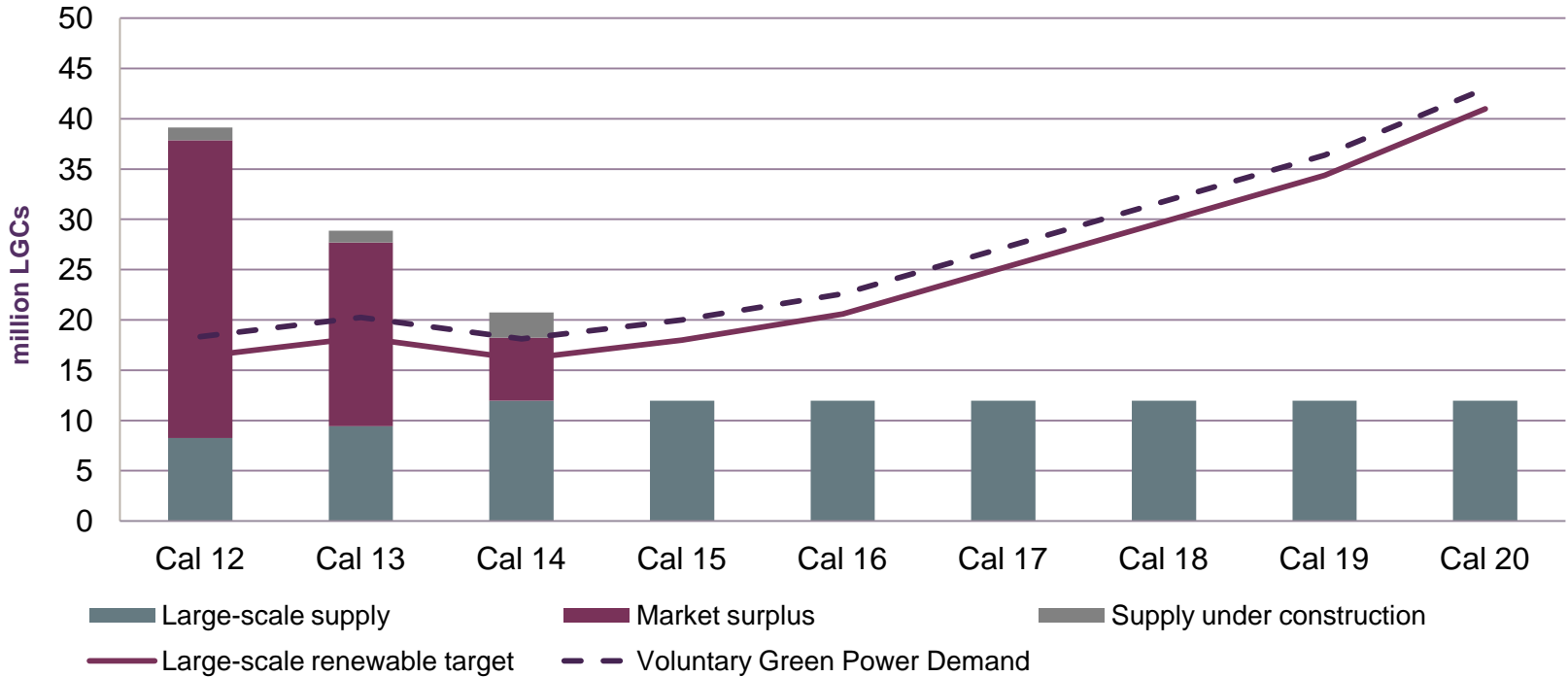
Evolution of the Renewable Energy Target

Poor policy and unintended consequences in recent years have increased uncertainty and reduced debt and equity investor confidence



Large-scale Renewable Energy Target

Significant upcoming opportunity – but regulatory certainty needed



Renewable Energy Target review

Bi-partisan Federal support for the RET remains resolute

Potential changes sought

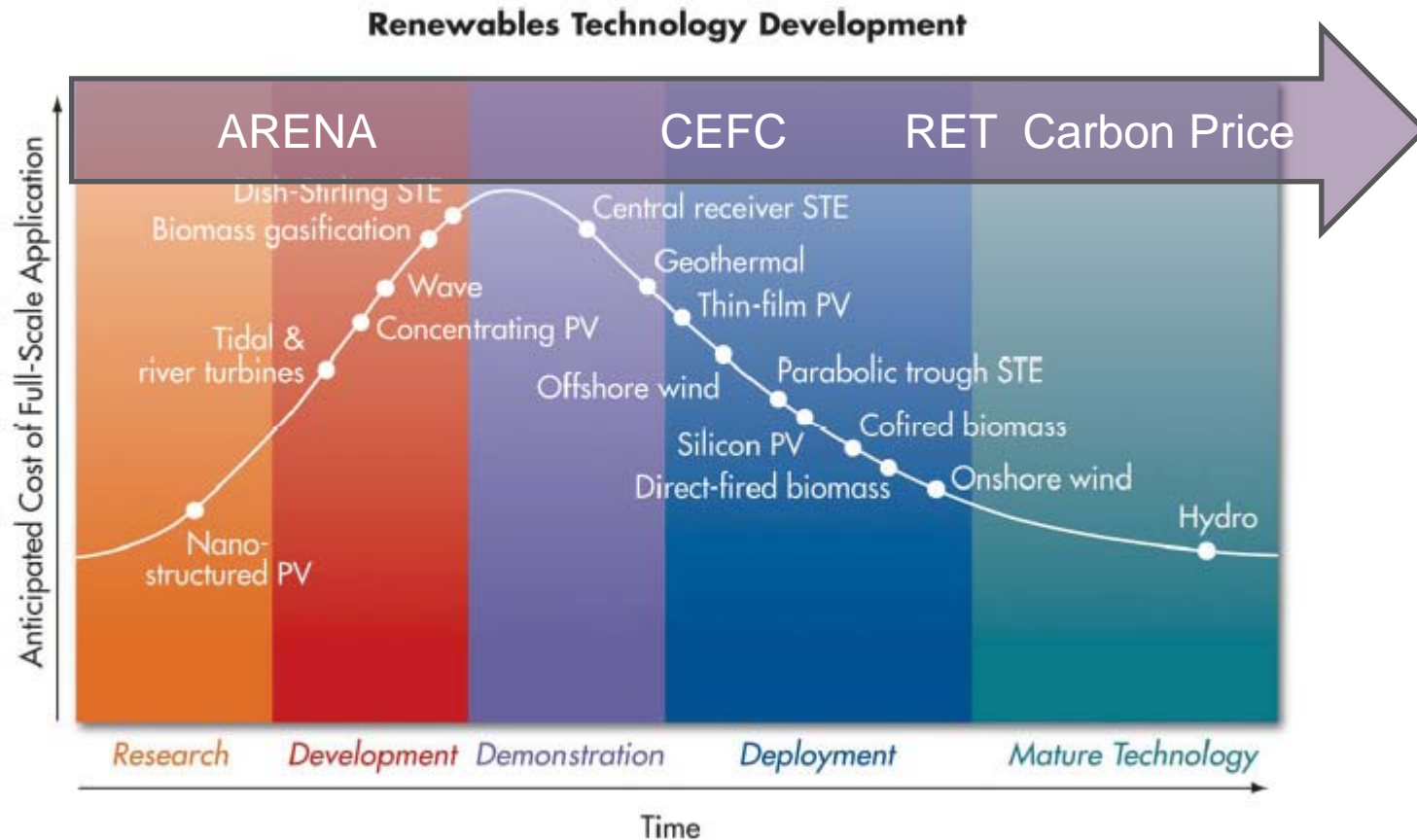
- The introduction of a carbon price means the RET is no longer needed
- Growth in demand is softer than earlier projections so the target should be adjusted to reflect this
- Emerging renewable technologies won't have the opportunity to benefit so the target should be flattened and extended
- More time is needed to understand how renewables can be integrated into the networks
- The target will ramp up significantly beyond 2014 leading to a shortfall and significant increase in LGC prices
- The penalty price should be lowered
- The SRES has contributed to significant increases in retail electricity bills

Reasons not to change

- The RET and a carbon price are complementary measures. Foreseeable carbon price itself insufficient to stimulate renewable investment
- Demand projections are constantly revised – setting a precedent by implementing a change to the target would lead to perpetual uncertainty
- ARENA and CEFC will support the research, development and commercialisation of emerging technologies
- Momentum required to remove the barriers to deployment of renewables – established technologies can lead the way
- Certainty will lead to early deployment and lower risk of a market shortfall
- The market has never traded anywhere close to the current penalty
- Operation and objectives of the SRES should be examined on a standalone basis

Clean Energy Future

The CEFC, ARENA and a carbon price will each make a contribution towards large-scale renewable developments



Clean Energy Future

The Clean Energy Finance Corporation (CEFC)

- The Expert Panel Review determined that an appropriate objective of the CEFC to be:
 - apply capital through a commercial filter to facilitate increased flows of finance into the clean energy sector thus preparing and positioning the Australian economy and industry for a cleaner energy future.
- The CEFC approach and recommendations that will influence the RET and potentially remove some of the barriers include:
 - Having a renewable energy investment stream with a goal of investing 50 per cent or more of the \$10 billion over 5 years
 - A focus on projects and technologies at the later stage of development
 - Being cognisant of the potential impact of its investment on other market participants in relation to the RET
 - Ability to provide concessional finance having regard to the broader economic benefits and positive externalities from an investment
 - Ability to provide longer term debt maturities than private sector lenders
 - Some scope to take electricity price risk
 - Open to proposals that involve extending and connecting the grid to a renewable resource

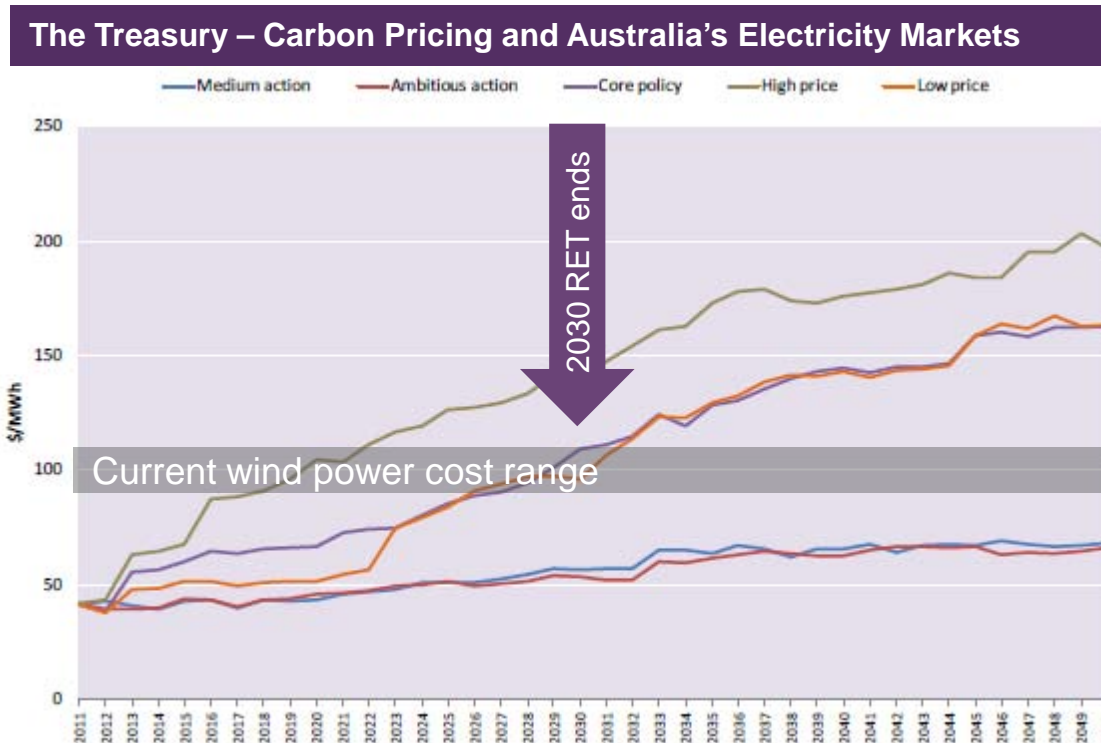
Australian Renewable Energy Agency (ARENA)

- ARENA was created to coordinate around \$3.2 billion in existing grant funding programs supporting research, development and demonstration of new renewable energy technologies.

Clean Energy Future

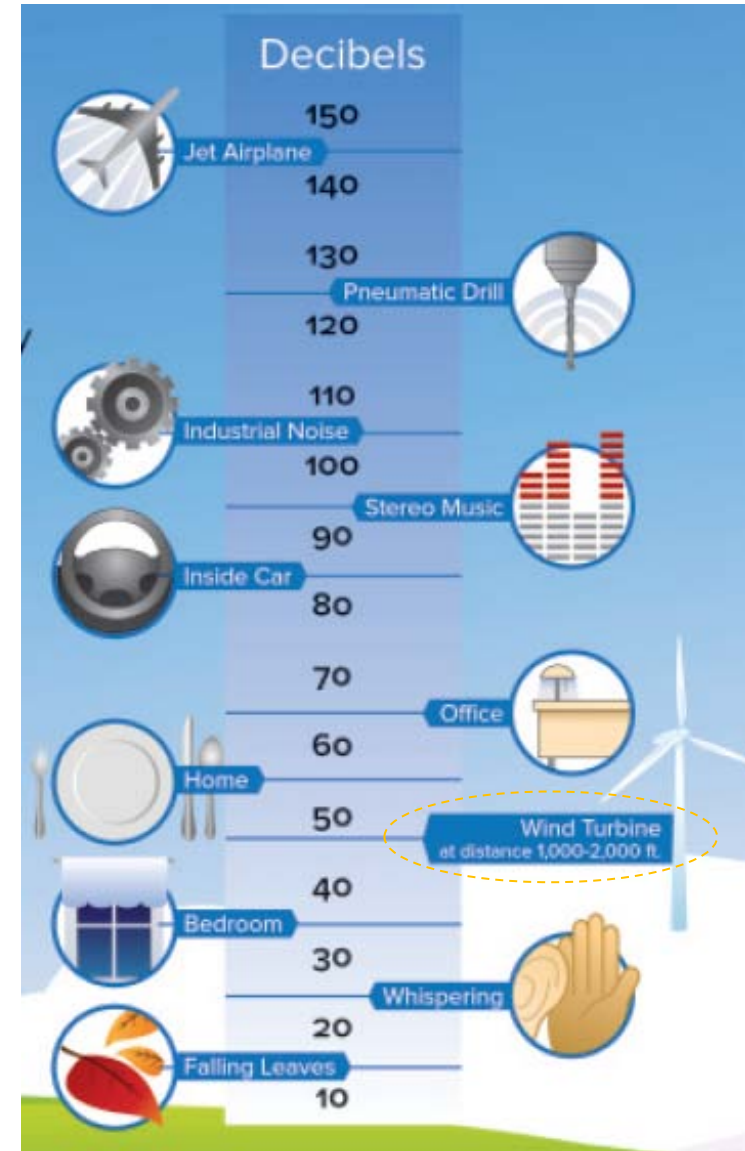
The effect of a carbon price on electricity prices improves the long term future of renewables

- Carbon pricing to commence 1 July 2012 with 3 year fixed price
- Transition to flexible price cap-and-trade from 1 July 2015 with 5 year rolling emissions caps
- Renewable technology improvements coupled with a carbon price uplift over time can lead to renewables being cost competitive with thermal generation
- No fuel price exposure will be a key competitive advantage



Strategic Considerations

- **Planning & health effects**
- Restrictive planning regulation and guidelines being implemented despite Australian and peer-reviewed International Studies proving that wind turbines do not cause any detrimental health impacts
- **Reliability or Variability of Supply**
- A recent study by Windlab¹ has found that OCGT electricity generation has **decreased** by 35% in SA from FY05 to FY10
- Wind is generating 20% of SA energy, whilst “SA wholesale electricity market prices are currently the lowest since the start of the NEM” – AEMO
- An AGL study concluded that recent wind energy facilities in SA have **eliminated** the need for a new 300MW gas fired generation plant in SA²



¹ Windlab Systems September 2011

² AGL Applied Economic and Policy Research, July 2010



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