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Media release

AGL helps Qenos prepare for low carbon future with new co-generation plant

9 March 2011

AGL Energy Limited (AGL) has today announced plans to construct a state of the art co-generation facility for Qenos Pty Limited (Qenos) at its Altona plant in Victoria. The facility represents Australia's largest industrial co-generation plant to be built in a decade.

This will secure Qenos' energy supply and assist preparation for the eventual introduction of a price on carbon emissions.

At an approximate cost of \$45 million, the plant will have a nominal capacity of 21MW and when coupled with a heat recovery steam generator, will produce up to 88 tonnes of steam per hour. The embedded co-generation facility is expected to reduce greenhouse gas emissions associated with the production of polyethylene at the Qenos plant by 100,000 tonnes CO₂-e per annum, the equivalent to 24,390 cars off the road.

Anthony Fowler, Group General Manager Merchant Energy said, "This represents the largest investment in industrial or manufacturing co-generation in over 10 years.

"It also helps Qenos remain competitive as Australia prepares for a carbon constraint," he said.

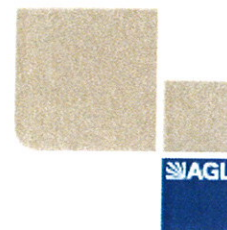
AGL will build the co-generation plant for Qenos and the parties have entered into an Operating and Maintenance Agreement for the next 15 years, with options to extend to 25 years. AGL will also become the sole supplier of natural gas to the site to operate the gas turbine and balance of plant. The co-generation plant and balance of plant is estimated to consume approximately 4.5PJ of natural gas per annum.

Qenos Chief Executive Officer, Jonathan Clancy said, "this project is a further demonstration of the power of cooperation between industry, government, employees and the community to provide a secure long term energy source and improve the economics associated with the production of polyethylene, whilst providing and significant benefit for our environment. This is an investment in real sustainability.

"I recently announced our ethane expansion project at Qenos Altona. This project has provided confidence in the long term viability of our Altona operations enabling further investments in projects like co-generation," said Mr Clancy.

Mr Fowler said, "This agreement takes advantage of AGL's strong position in the gas industry and utilises our dedicated team of 85 plus engineers within AGL Energy Services, devoted to our industrial and commercial customers' energy efficiency.





"It is a clear demonstration of the implementation of AGL's integrated energy strategy through providing embedded energy generation and energy efficiency based solutions to commercial and industrial customers.

"We are actively pursuing opportunities to help other customers optimise their energy efficiency and prepare for the impending carbon constraint."

Construction, which is estimated to generate approximately 40 jobs, is expected to commence in September 2011 and the co-generation plant will be operational in late 2012. Additional local jobs will also be created once operational. AGL's EPC contractor for the project is UGL Limited (UGL) and the turbine for the project will be provided by Solar Turbines International and supported by Solar's overhaul, parts, and service facility in Rowville, Victoria.

"Co-generation involves the use of a specifically selected turbine to produce both electricity and capture waste heat used to create steam. As this form of energy production is more efficient, it produces less greenhouse gas emissions and is often highly economic for businesses," said Mr Fowler.

Qenos is the cornerstone of the Australian plastics industry and the nation's sole manufacturer and leading supplier of world class polyethylene and polymers. Qenos' products are used in the manufacture of every day household items such as milk bottles, and packaging as well as key water infrastructure such as pipes and water tanks. Qenos also has a plant in Botany, NSW. It is a wholly owned subsidiary of China National Bluestar (Group) Co. Ltd. (China Bluestar) a joint venture between China National Chemical Corporation (ChemChina) and The Blackstone Group.

AGL also owns and operates co-generation plants at Coopers Brewery (4.4MW) in South Australia, Melbourne Water (10MW), and Symex Holdings (4.4MW) in Victoria.

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