

Macquarie Connections  
Australia Conference

5 May 2010 - Sydney



Celebrating a  
decade of growth

Origin Energy

*A Changing World*

Together we can  
make a difference.™

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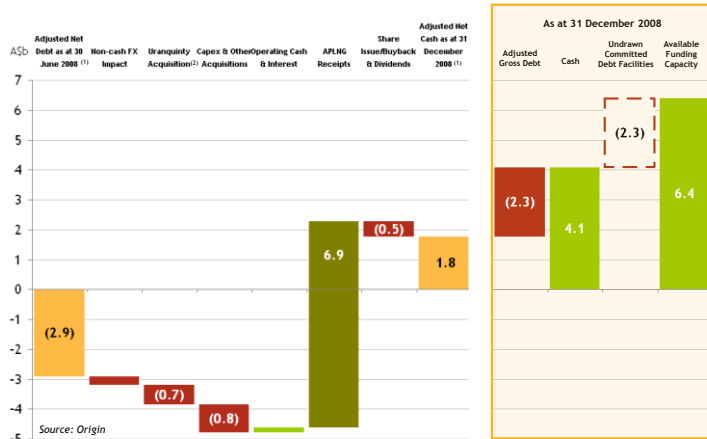
A reference to Contact is a reference to Contact Energy of New Zealand, a 52% subsidiary of Origin.

A reference to APLNG is a reference to Australia Pacific LNG Pty Limited, an incorporated joint venture that Origin holds a 50% interest in.



# At this conference last year, we talked about Origin's strong strategic position backed by a robust balance sheet and positioning in response to emerging carbon policy

Origin is in a strong strategic position with many opportunities to continue to develop and grow the business...



... and with access to cash and un-drawn committed debt facilities of \$6.4 billion as at 31 December 2008, Origin can fund this growth

(1) Net Cash/(Debt) excluding mark to market adjustments on debt  
 (2) Uranquinty acquisition includes debt assumed on acquisition  
 Note: All amounts exclude Contact



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The Federal Government's policy response to Climate Change has followed a dual pathway of a mandated renewable energy target...

## Renewable Energy Target Scheme

- New scheme starts in January 2010
- 2020 target of 45,000 GWh (from a current base of 9,500 GWh)
- Target maintained until 2030 at which point the RET will conclude
- Fixed (un-indexed) shortfall charge of \$65/MWh - equivalent to \$92.86/MWh pre-tax (from prior shortfall charge of \$40/MWh)

## Carbon Pollution Reduction Scheme

- Commencement deferred to 2011
- Permit price fixed at \$10/tonne for one year
- Target reduction in emissions between 5% and 25% depending on international agreement on climate change measures

... combined with a carbon emissions trading scheme that is wide ranging and flexible to meet its policy objectives



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Extracts from Origin's Macquarie Conference presentation in May 2009

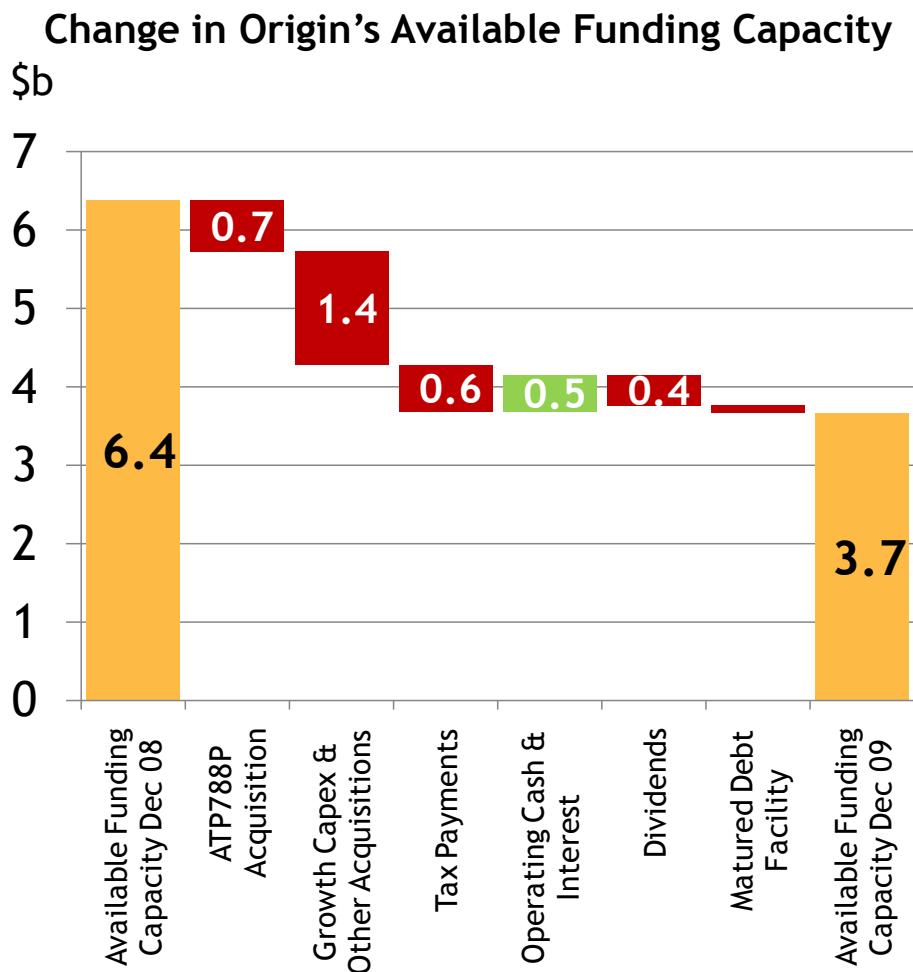
# Over the past year, Origin has continued to grow and strengthen its business in an environment of uncertainty regarding capital markets and carbon policy



# Origin's Balance Sheet



Over the last year, Origin has deployed \$2.7 billion of balance sheet capacity to grow and develop the business...



Source: Origin, excluding Contact Energy

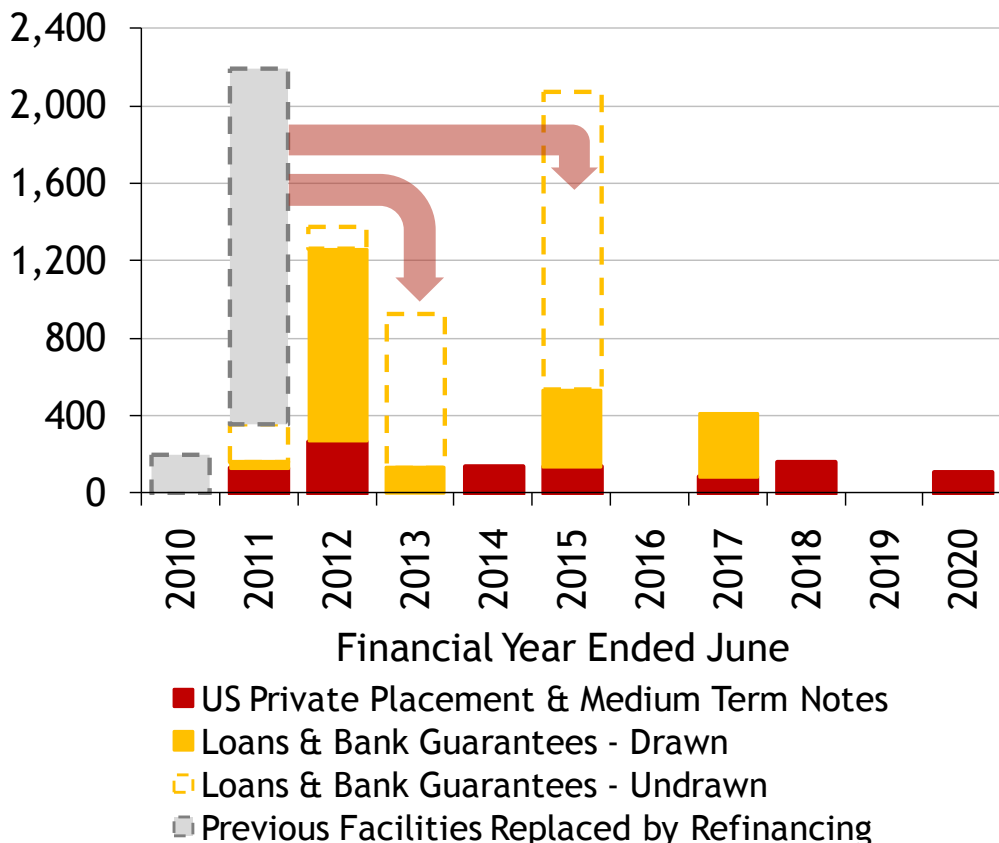
- Major growth projects include the Darling Downs and Mortlake power stations, Cullerin Range Wind Farm, Kupe Gas Project and offshore exploration
- Acquisitions includes CSG exploration permit ATP 788P, and smaller development opportunities - WindPower and Cogent Energy
- Since December 2009, Origin has completed the acquisition of an increased interest in the Otway Gas Project (\$0.5b), paid dividends (\$0.2b) and continued to develop committed growth projects

... through the development of new and committed growth projects and a number of disciplined acquisitions



The strength of Origin's business and financial profile was evidenced by the solid support from domestic and international debt markets for the recent execution of \$2.6 billion of new bank debt facilities

\$m Origin Debt & Bank Guarantee Maturity Profile



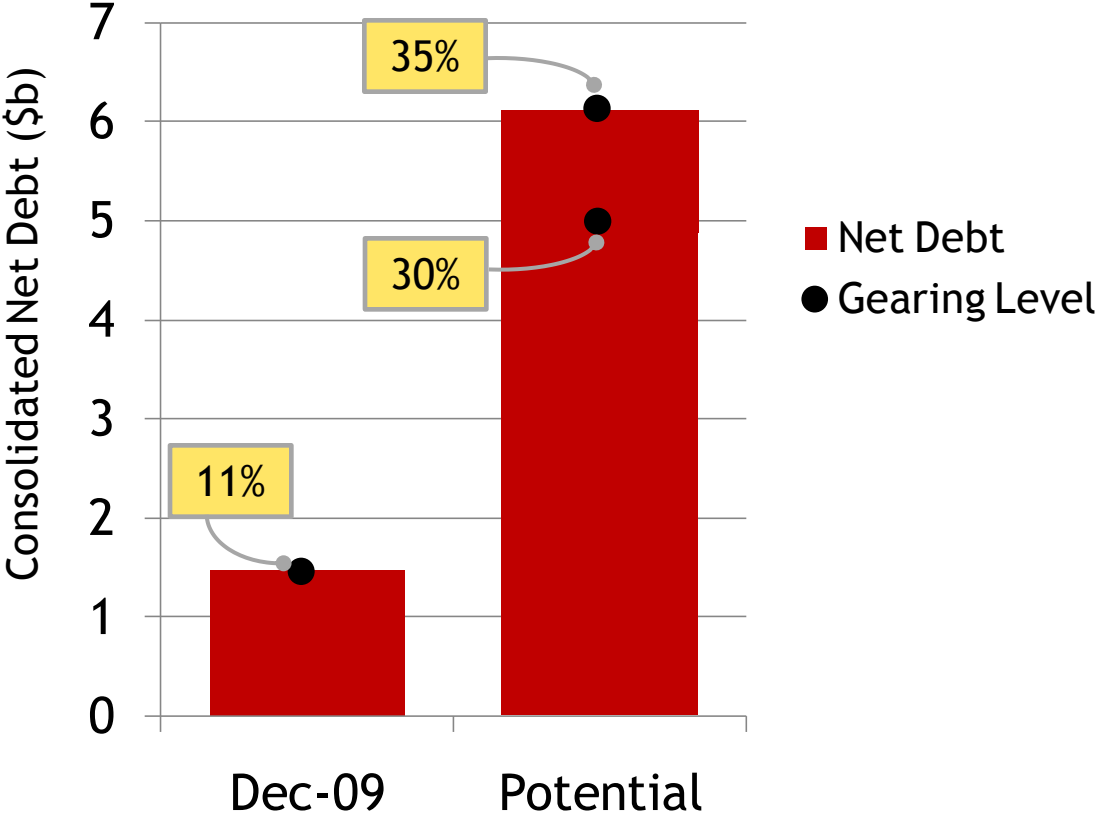
- \$2.6 billion of new bank debt facilities executed in April 2010
- This was used to refinance A\$1.8 billion and US\$200 million of existing facilities that mature in FY09/10 and FY10/11
- The balance provided an additional \$600 million of available funding capacity
- Origin's portfolio of debt facilities will now have an average maturity of 4.4 years
- Origin continues to expect to be able to finance its contributions to APLNG without the need for additional equity
- Funding for any further significant acquisitions will be assessed at the time

Source: Origin, excluding Contact Energy

Origin has significant financial capacity to support its business, with a prudent debt maturity profile



Origin's consolidated net debt position at December 2009 was \$1.5 billion, representing a gearing ratio of 11%...



Source: Origin  
Note: Gearing Ratio measured as Net Debt / (Net Debt + Equity)

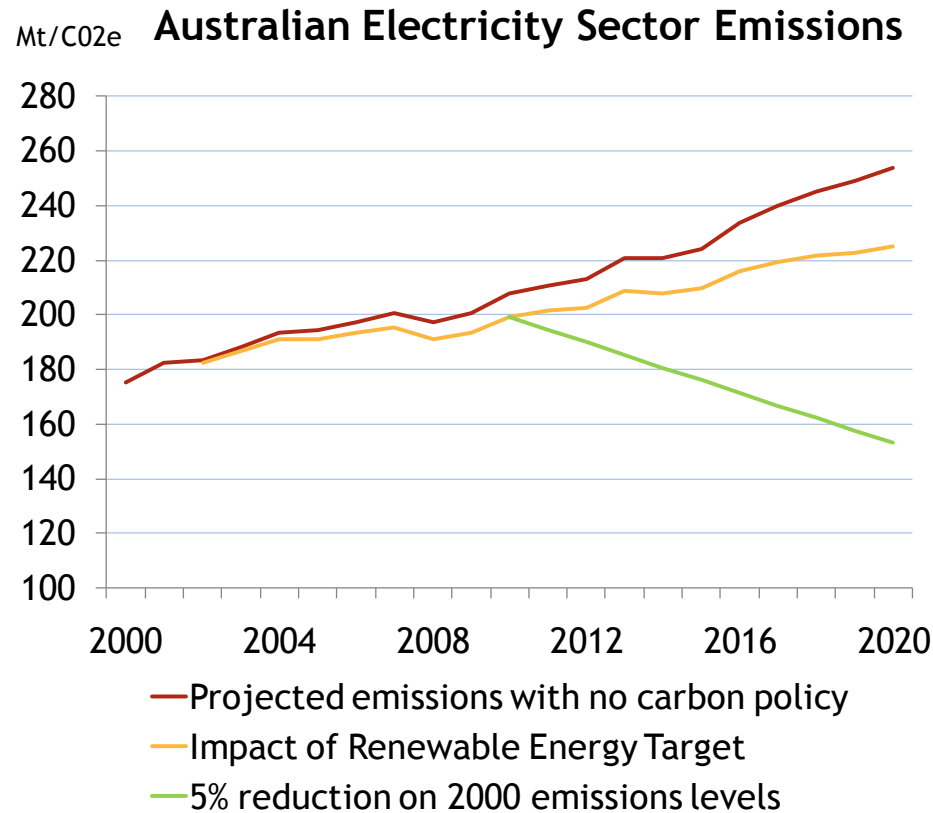
... the strength of Origin's balance sheet and steady and growing cash flows provide the flexibility to invest significant additional capital to continue to grow the business



# Policy Environment



# The Federal Government's policy response to climate change had been following a dual pathway of a mandated Renewable Energy Target combined with a Carbon Pollution Reduction Scheme



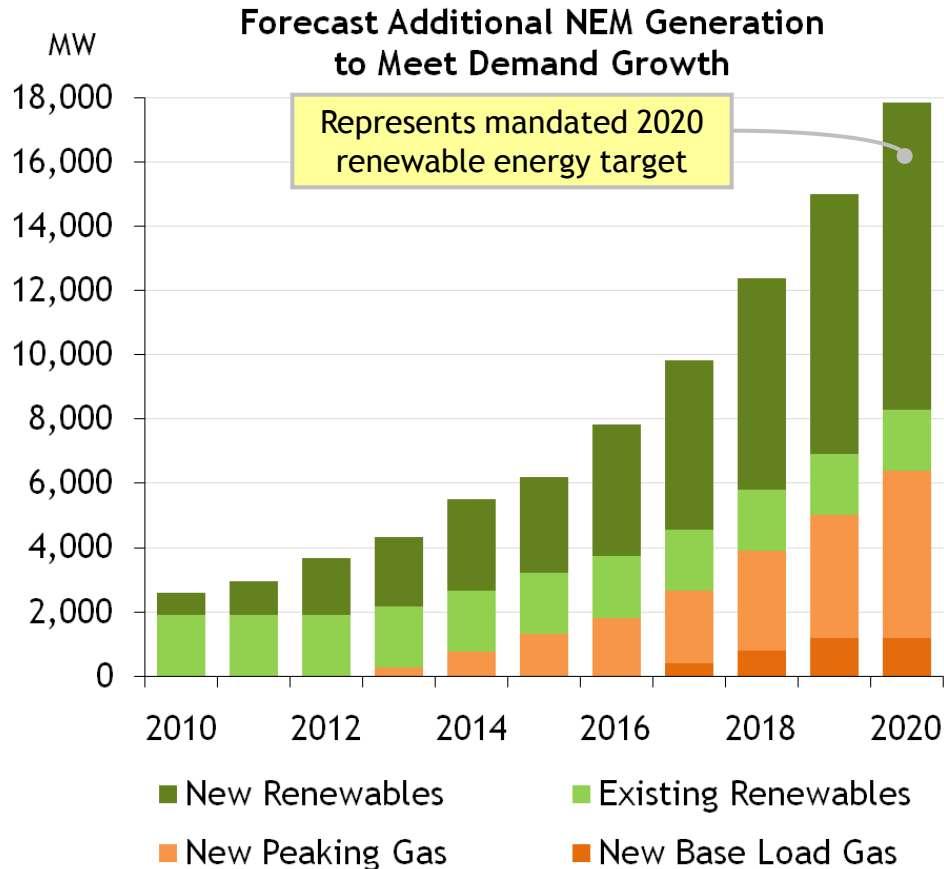
Source: Origin

- In the absence of carbon policy, emissions are projected to grow to 45% above 2000 levels by 2020
- The implementation of the mandated renewable energy target is projected to reduce emission growth to 28% by 2020
- In the absence of a direct price on carbon, meeting the balance of emissions reduction will be a significant challenge relying on mechanisms such as:
  - energy efficiency measures
  - substitution of gas for coal fired generation
  - a further increase in the renewable energy target
- Gas fired generation is well placed to provide both peaking capacity and lower emissions base load capacity

The Renewable Energy Target has been implemented and although the introduction of the Carbon Pollution Reduction Scheme has now been delayed, both political parties remain committed to reducing emissions to 5% below 2000 levels by 2020



# The Renewable Energy Target will drive significant investment in renewable energy and the research and development of new renewable generation technology...



Source: Origin forecast based on AEMO's SOO 2009 demand data

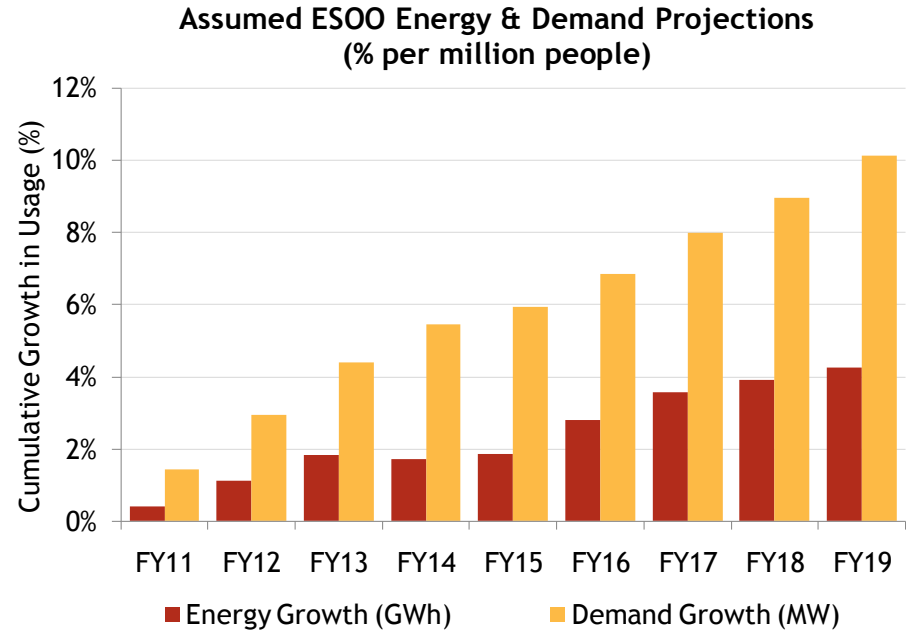
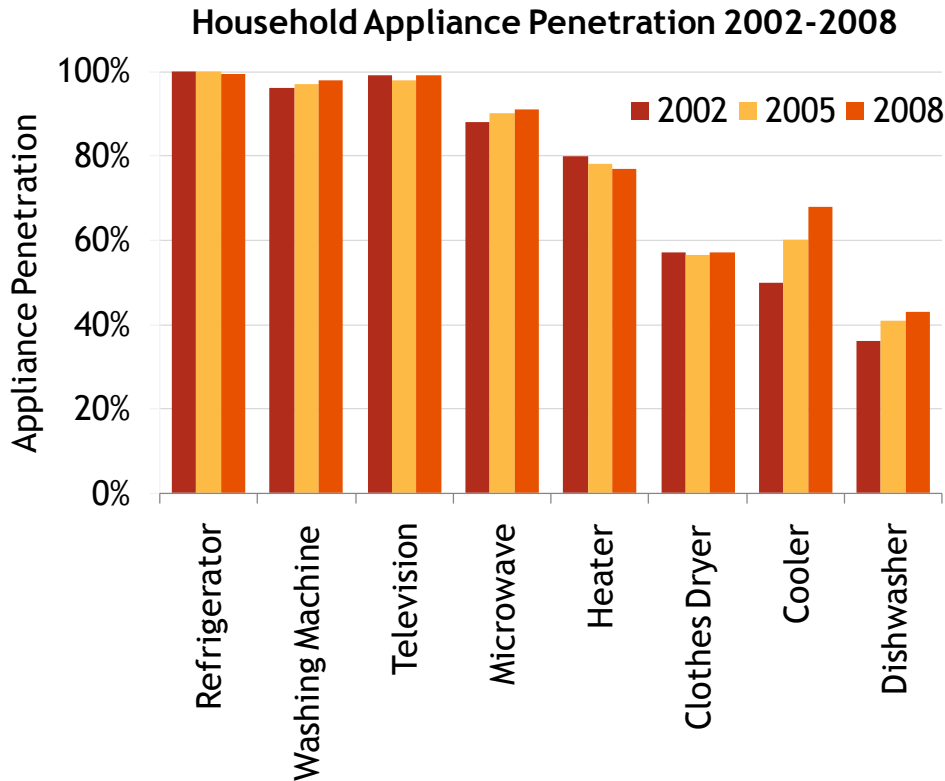
Notes: Excluding non renewable plant currently under construction

- Origin's modelling suggests over 6,000 MW of new wind capacity to be built by 2020 to meet the RET in the absence of a competitive alternative renewable technology
- Gas fired peaking generation is likely to play an increasing role in balancing the intermittency of current renewables technology
- Development of emerging geothermal technology could provide a large scale long term renewable energy solution
- Renewables and gas fired generation are therefore likely to address the generation required to meet growing demand
- Origin's portfolio of operating peaking gas fired generators and development options for new capacity is well placed to meet this requirement

... it will also lead to increased reliance on gas fired generation to firm the intermittency of current renewable technology



With a delay to the CPRS, the Federal Government has indicated that it will focus on energy efficiency as a means of reducing carbon emissions...



Source: Origin based on AEMO's 2009 Electricity Statement of Opportunities

... although load growth projections suggest that this measure alone is likely to have limited impact



## Without a direct price on carbon, direct action may be needed to provide an incentive for coal fired generation to be retired...

### Carbon Intensity of Power Generation by Fuel Type (tonnes CO<sub>2</sub>e/MWh)

Black Coal	0.9
Brown Coal	1.4
Combined Cycle Gas	0.4
Open Cycle Gas	0.7
Market Average	1.0

- In the absence of a carbon signal, coal fired generation remains the cheapest form of base load generation and existing coal fired capacity is unlikely to be retired
- Current regulatory uncertainty means it is unlikely that new coal fired generation will be built
- New base load gas fired generation is unlikely to be built to meet growing demand or as a substitute for existing coal fired generation without regulatory incentive
- Origin's portfolio of gas fired generators can operate at increased capacity factors as a substitute for coal. Development options for new capacity can be deployed if the appropriate market signal exists
- Development of emerging base load renewable technologies such as geothermal need to be supported in the pursuit of large scale, long term solutions
- The proposed Resource Exploration Rebate seeks to support investment in geothermal development by allowing exploration expenditure to be eligible for the new resource exploration rebate

... and in the absence of a base load renewable energy solution, gas fired generation is best placed to substitute for existing coal fired generation



## The Federal Government's proposed new 40% tax on resources projects will have a significant negative impact upon the value of projects...

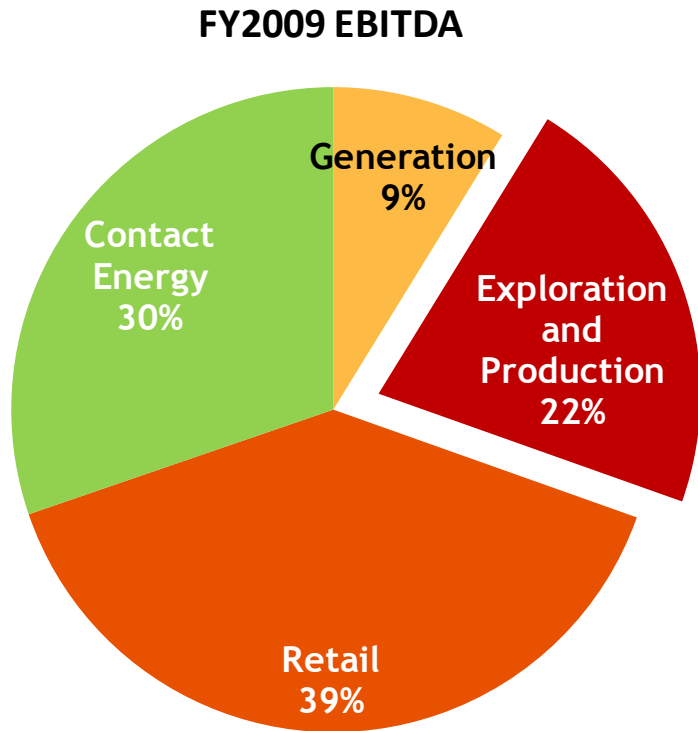
- Despite its name, the Resource Super Profits Tax (RSPT) is a tax on normal profits rather than a “super profits” tax
- RSPT does not have a trigger for determining when “super profits” are being earned - rather all projects are liable from 2012. An RSPT liability arises when revenues exceed costs, allowable depreciation and an allowance on undepreciated capital expenditure
- The allowance on undepreciated capital expenditure is equivalent to the 10-year bond rate, which does not appropriately reflect the risk inherent in a typical resources project
- Yet to be resolved details around the design of the RSPT and the length of the consultation period creates substantial uncertainty for equity based transactions in the resources sector
- Material issues with the current proposal not yet clear include the definition of a project, the taxing point and capital depreciation rates
- New resources projects currently under consideration are likely to find it challenging to meet their schedules due to the significant uncertainty associated with the RSPT
- The effective tax rate for individual projects is difficult to estimate but could be as high as 58%
- The deductibility of RSPT means that although tax paid will increase, franking credits will be reduced

... and the proposal introduces substantial uncertainty that will make it difficult for new projects to proceed

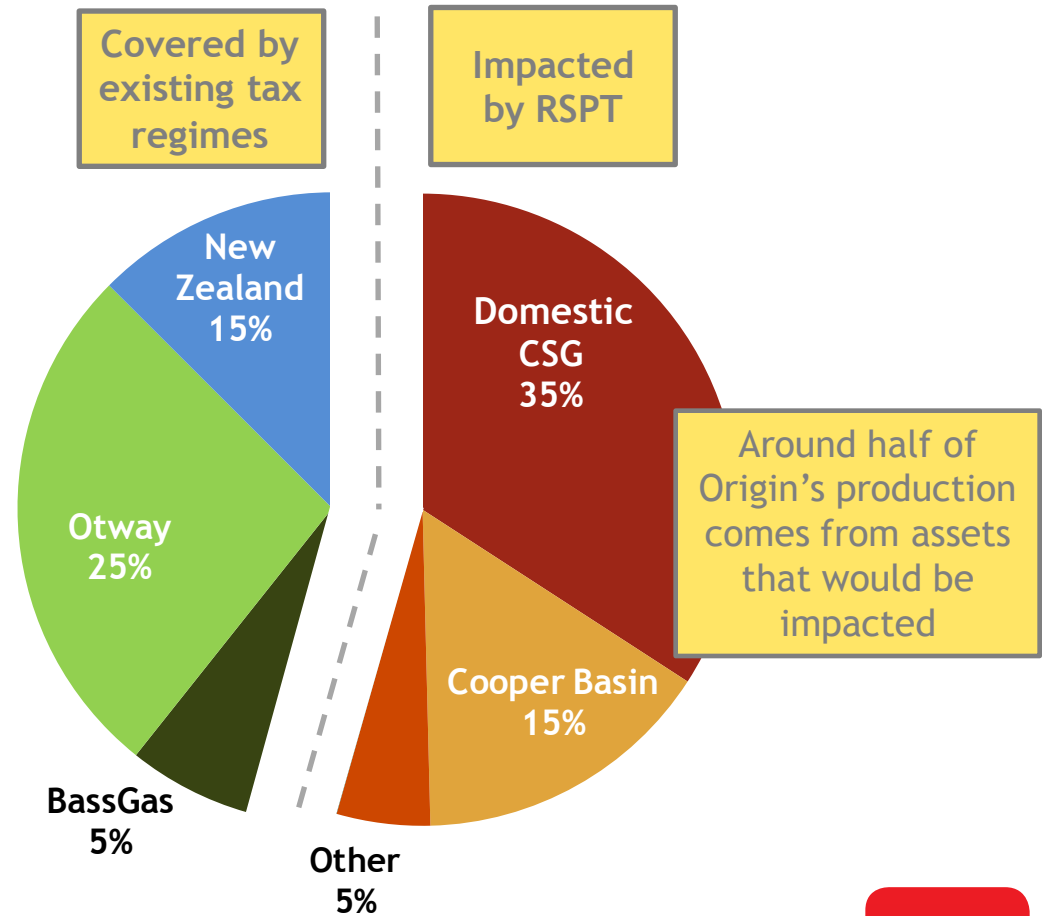


Origin has a diversified earnings base with the Exploration & Production business representing less than a quarter of current earnings, much of which is not impacted by the RSPT

Approximate Gas & Liquids Production FY11



Source: Origin



The main impact of the RSPT will be on CSG produced into the Australia Pacific LNG project



## Retail energy prices are likely to increase, driven by current Government policy settings and increasing transmission and distribution network costs...

- Energy costs are increasing regardless of a carbon signal as international demand for coal and gas grows
- The proposed RSPT will place additional upward pressure on coal and gas prices increasing energy costs further
- Current RET policy encourages the development of wind generation, which is intermittent and requires significant investment in the electricity network
- Increase in gas fired peaking generation capacity to support wind development will require significant investment in the gas distribution network
- With no direct cost of carbon and a greater emphasis on renewables likely to address carbon emissions, energy and transmission costs may increase even more rapidly

... wholesale energy prices are also likely to increase with any increase in resources taxes placing upward pressure on fuel prices



## In Summary

- Origin is in a strong financial position and well placed to fund future growth
- To the extent that uncertainty exists as to the impact of carbon policies on investment, Origin has a range of investment opportunities available to it that are considered appropriate under any scenario
- The RSPT has introduced significant additional cost to APLNG and uncertainty attached to this tax could affect the project schedule





## Further Information

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