



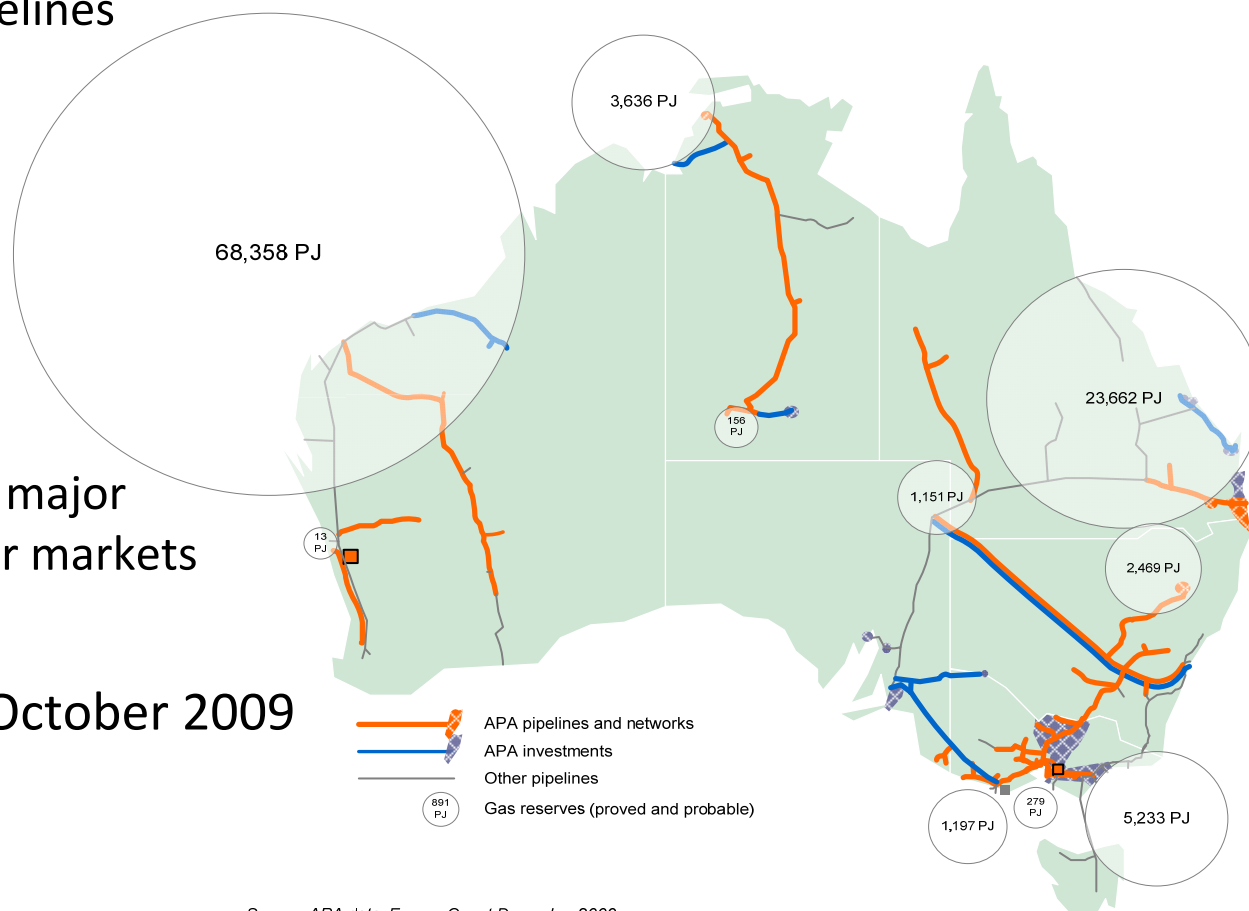
## **The changing role of gas transmission organisations**

Ross Gersbach, Group Manager Commercial

Macquarie Australia Conference  
7 May 2010

# APA Group overview

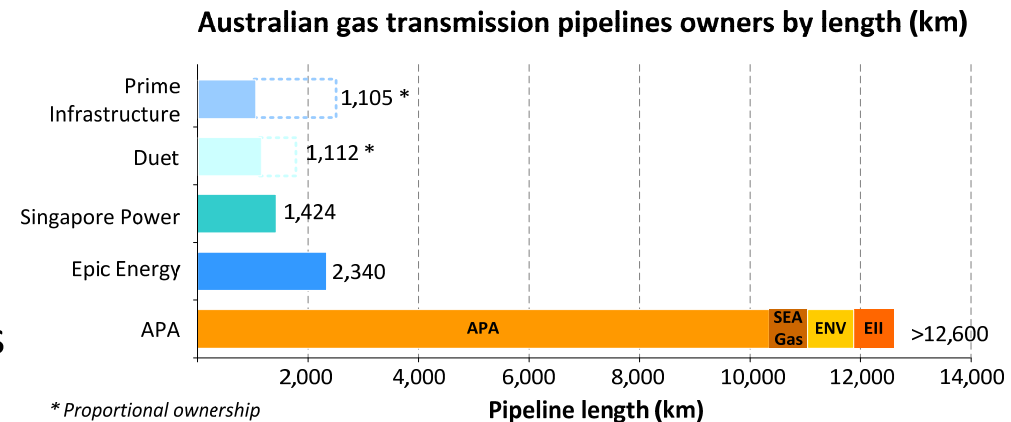
- Australia's leading gas transmission and distribution business
- Infrastructure owner and operator, over \$8 billion assets owned or managed
  - 12,000 km of transmission pipelines
  - Interests in 21,000 km of distribution networks
- Transport >70% of natural gas used in east Australia, and > 50% across Australia
  - Delivering natural gas from all major production sources to all major markets
- Listed on the ASX in June 2000; entered S&P/ASX 100 index in October 2009



Source: APA data; Energy Quest December 2009

# APA's strengths

- Unrivalled gas asset footprint
  - largest transporter of natural gas across Australia by pipeline length, capacity and volume
- Integrated portfolio of gas pipeline assets
  - providing revenue and operating synergies
- Attractive growth opportunities
  - enhancing capacity in APA's existing pipelines serving major growth markets across Australia
- Stable cash flow
  - from regulated and contracted revenue
- Internally managed and operated business
  - highly skilled and experienced workforce, extracting greater value from the business and responding to a dynamic energy market



Source: APA & AER State of the Energy Market 2009

## APA's strategy

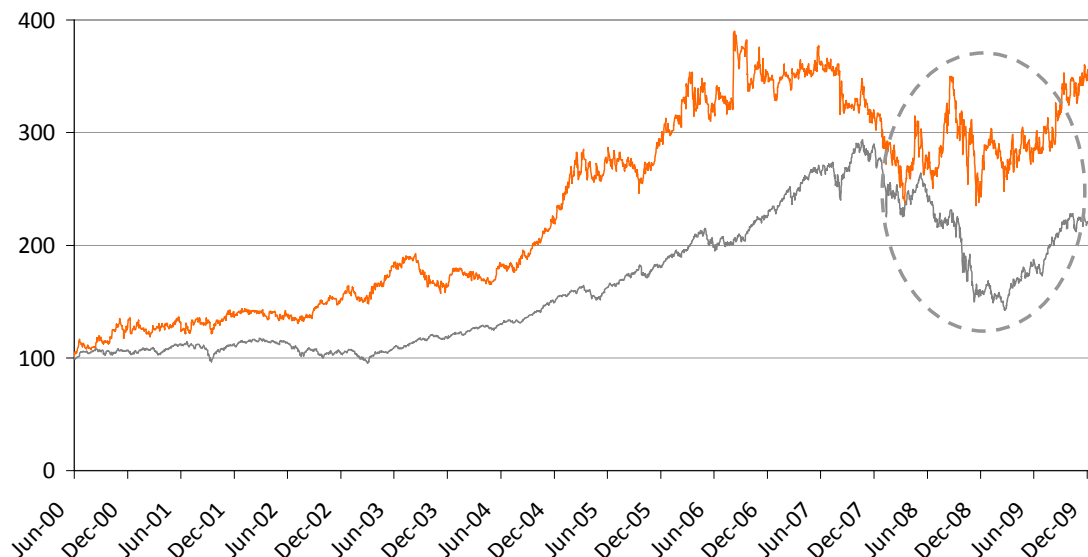
### Maximise value for securityholders

- Focusing on gas infrastructure assets in Australia's growing gas market and enhancing APA's portfolio of assets
- Capturing revenue and operational synergies from APA's significant asset base
- Pursuing opportunities that leverage APA's knowledge and skills base

***Strategy is underpinned by a strong and responsive balance sheet***

# Ten years of consistent, strong performance

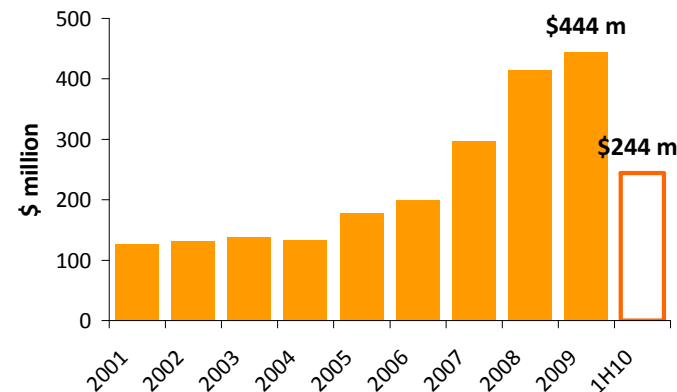
Total securityholder returns



— APA total securityholder returns

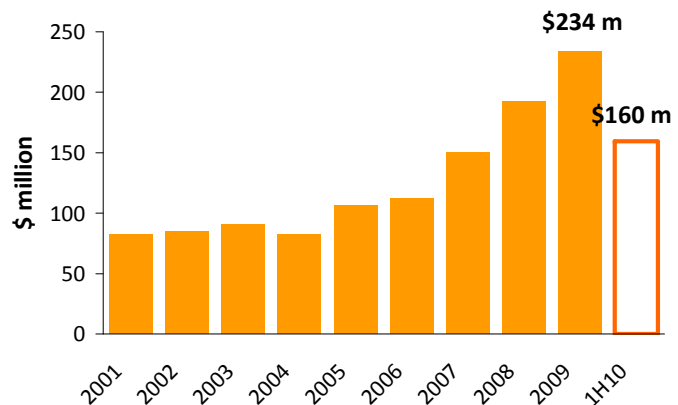
— All Ords accumulation index

EBITDA

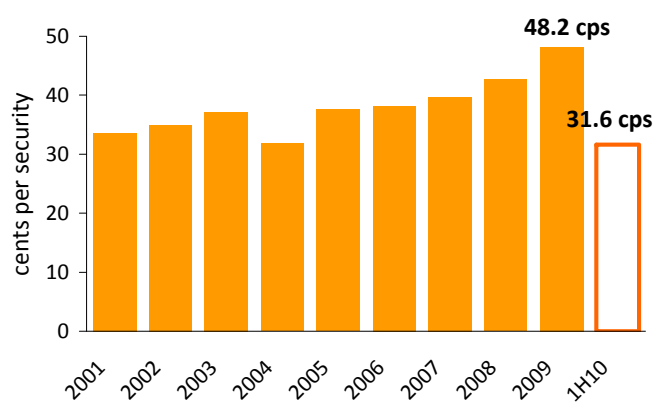


Source: APA based on IRESS data

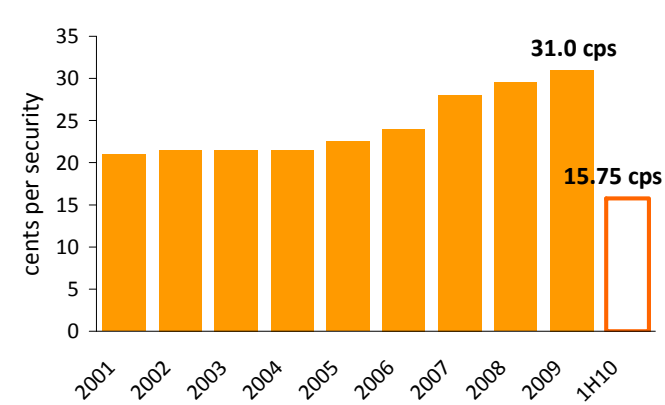
Operating cash flow



Operating cash flow per security



Distributions per security

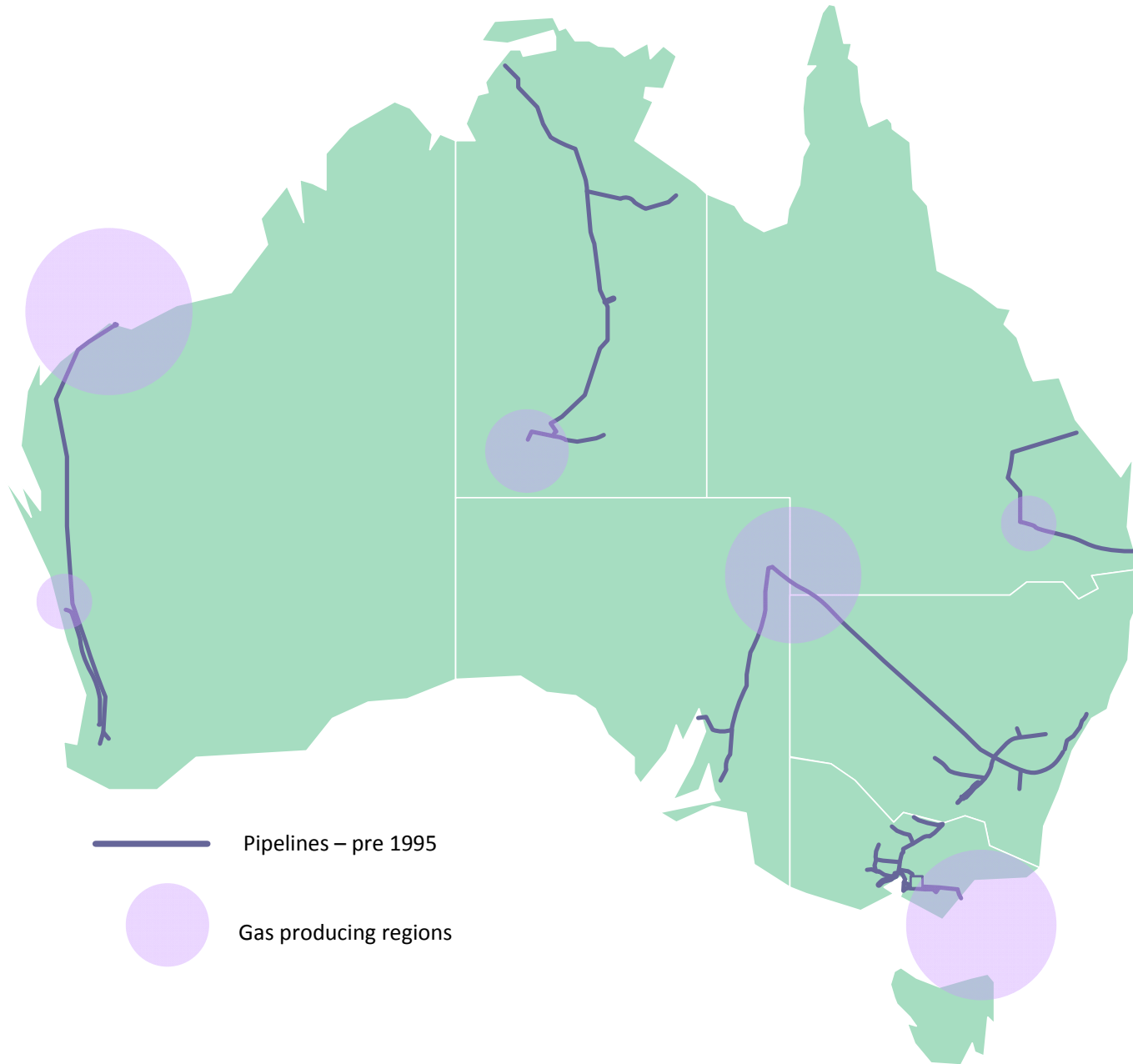


**Delivering securityholder value since listing**

## Drivers of future growth and change

- Increasing gas reserves and production
  - Conventional gas, coal seam gas, other (tight gas, shale gas ...)
- Increasing demand for natural gas
- Climate driven legislative changes
- Growing demand for storage services
- Services tailored to shipper/customer requirements

# Growth of gas transmission pipelines



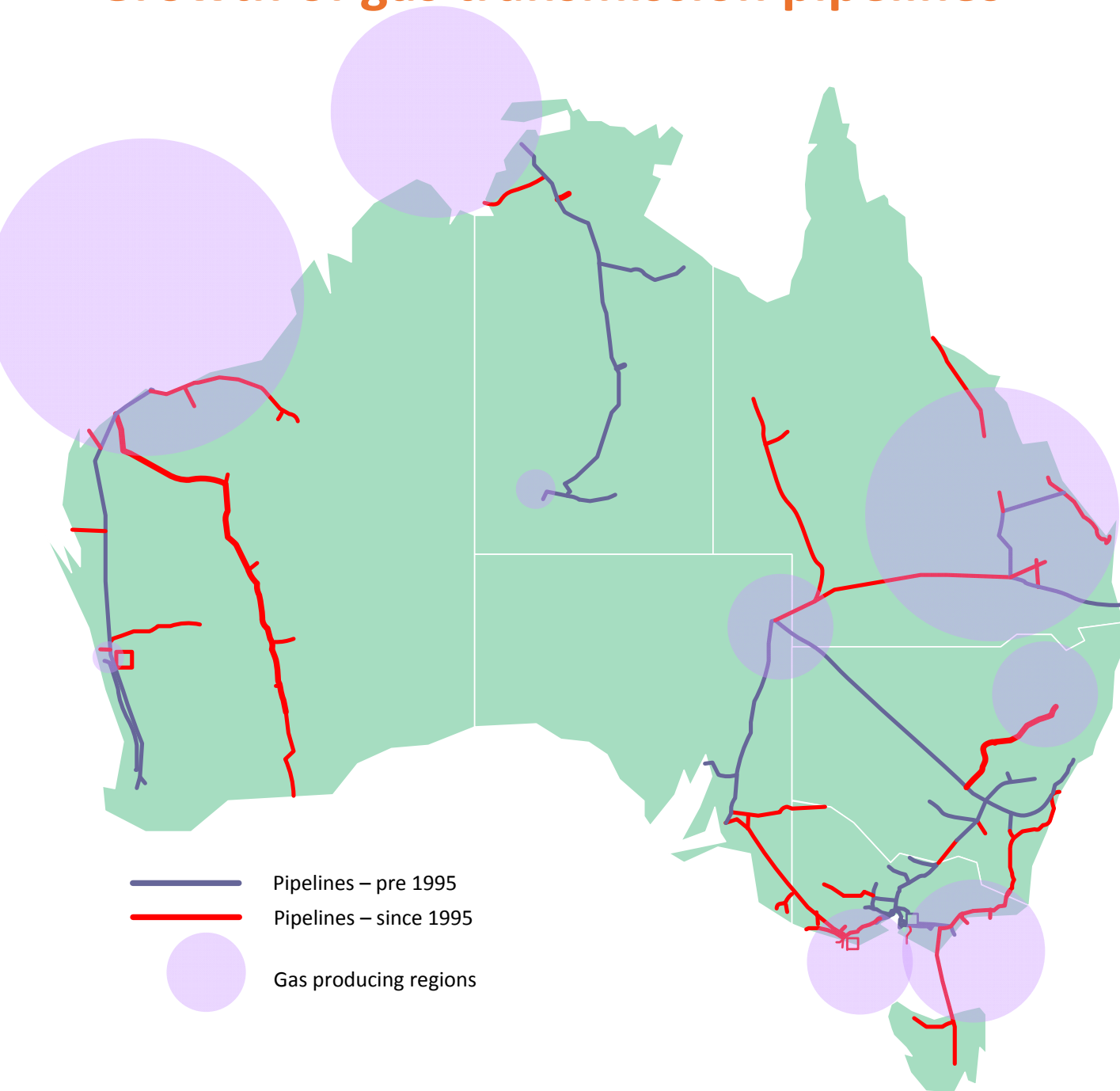
## Gas pipelines pre 1995

- Total 10,500 km
- Point-to-point pipelines
- Majority government owned

— Pipelines – pre 1995

● Gas producing regions

# Growth of gas transmission pipelines



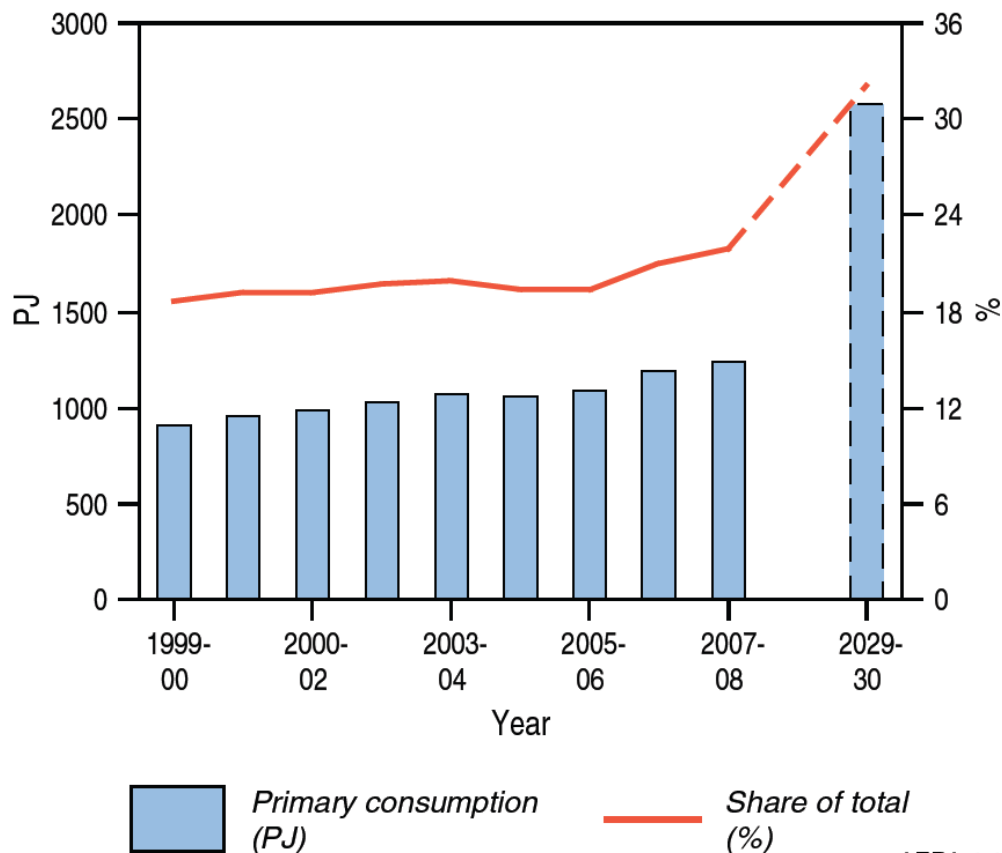
## Gas pipelines post 1995

- Total 20,000 km
  - 9,000 km added in the last 15 years
- Interconnected pipelines
- Producer competition
- Privatised industry

— Pipelines – pre 1995  
— Pipelines – since 1995  
● Gas producing regions



# Increase in gas volumes



**Figure 4.43** Outlook for Australian gas consumption,

Source: ABARE 2010

## ■ Growth in gas volumes <sup>(1)</sup>

- Average annual growth rate – 3.4% (compared with 1.4% for primary energy)
- 1,240 PJ in 2007-08, doubling to 2,570 PJ in 2029-30

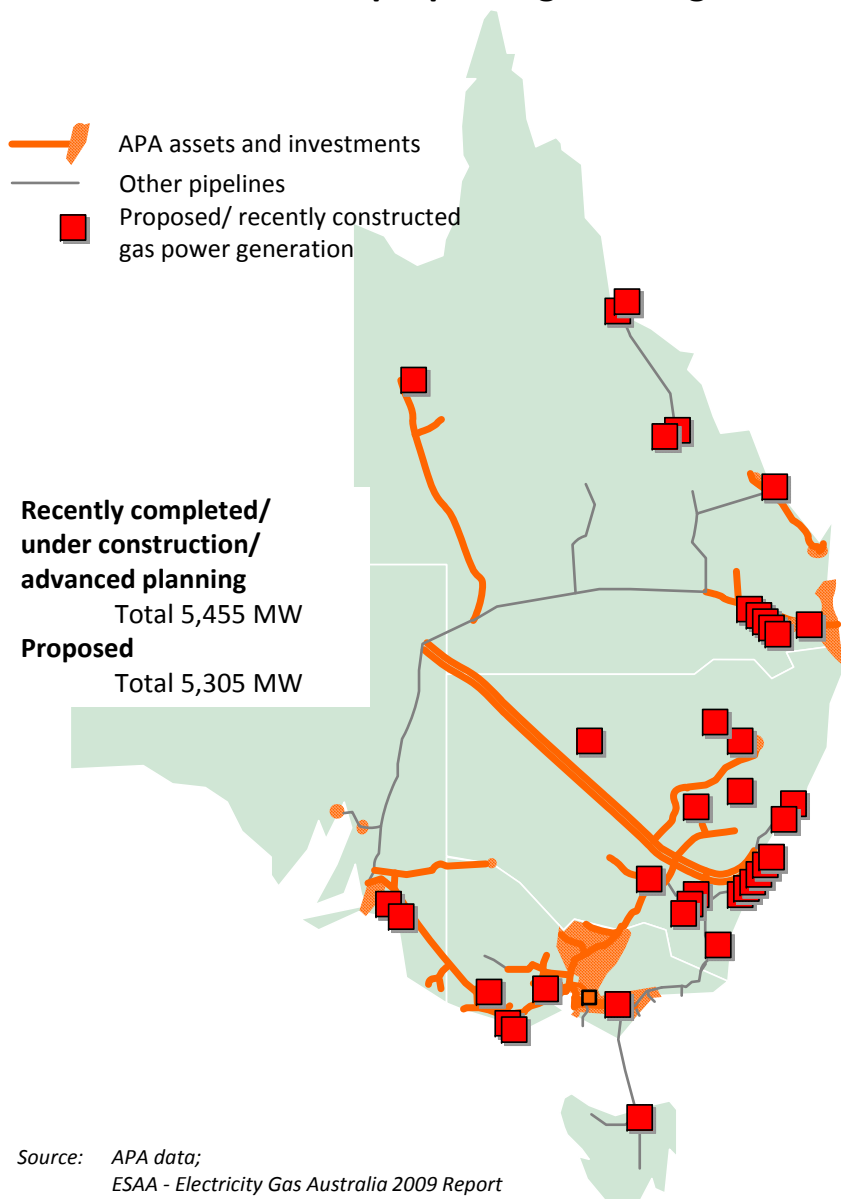
## ■ Factors influencing gas demand increase

- Population growth of 1.3% pa
- GDP growth of 2.9% pa
- Government policies encouraging lower carbon emissions, particularly in electricity generation
- Electricity generation
- Mining sector

(1) "Australian energy projections to 2029-30", ABARE March 2010

# Increase in gas fired power generation

## Location of new and proposed gas fired generation



Source: APA data;  
ESAA - Electricity Gas Australia 2009 Report

- Reflects the shift to less carbon intensive fuels.
- Growth in electricity generated from gas <sup>(1)</sup>
  - Average growth rate – 5% pa
  - Share of total generation - 19% in 2007-08 increasing to 37% in 2029–30.
- Gas fired generation to manage peak demand and “firm” intermittent wind generation
  - Need for pipeline capacity, despite low gas volumes

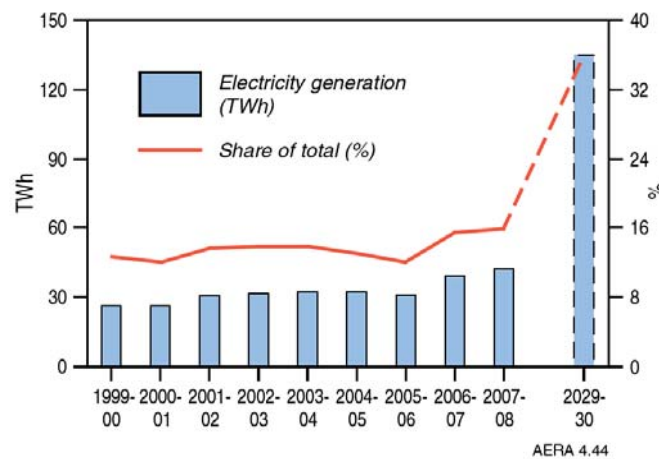
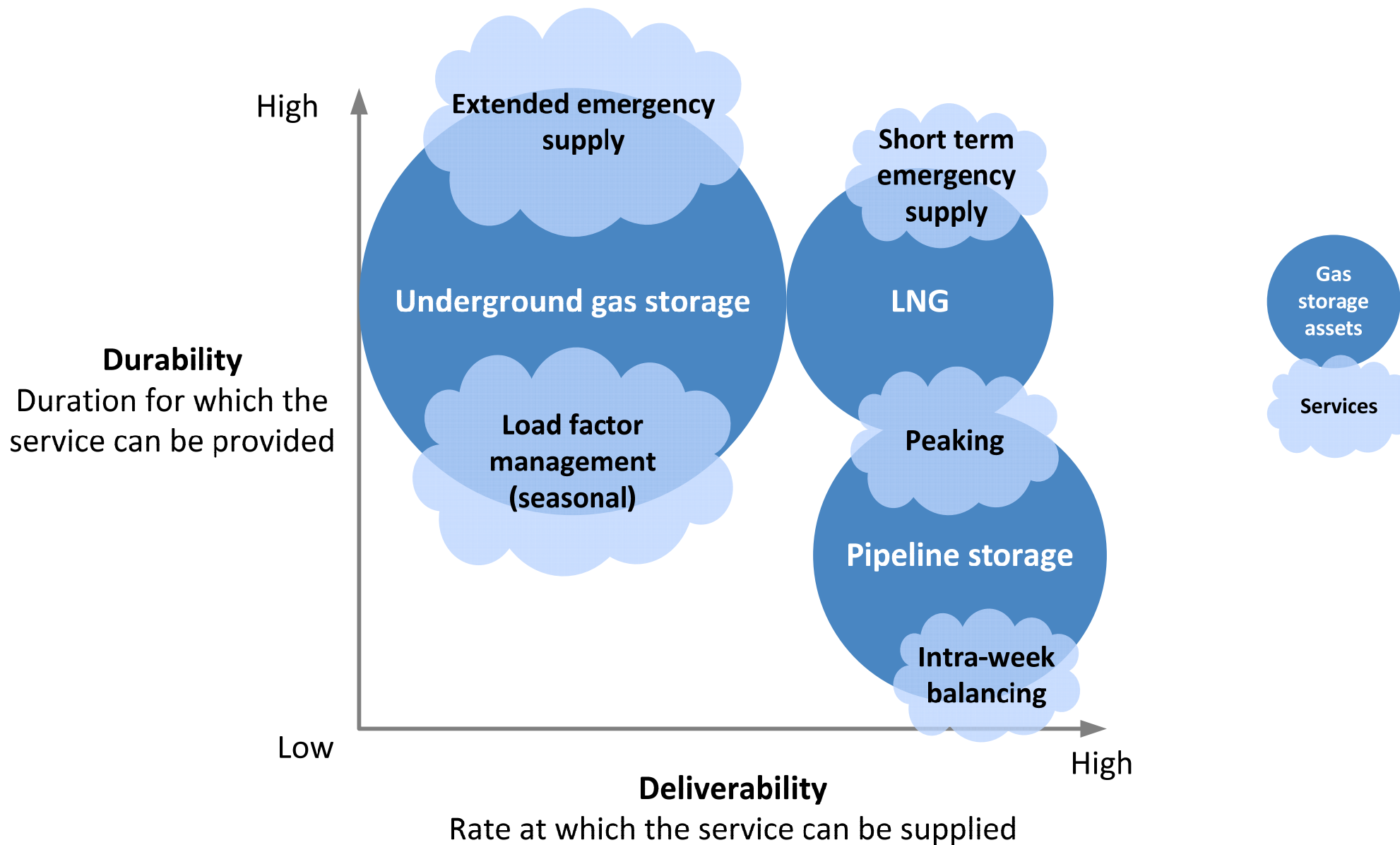


Figure 4.44 Outlook for Australian gas-fired electricity generation

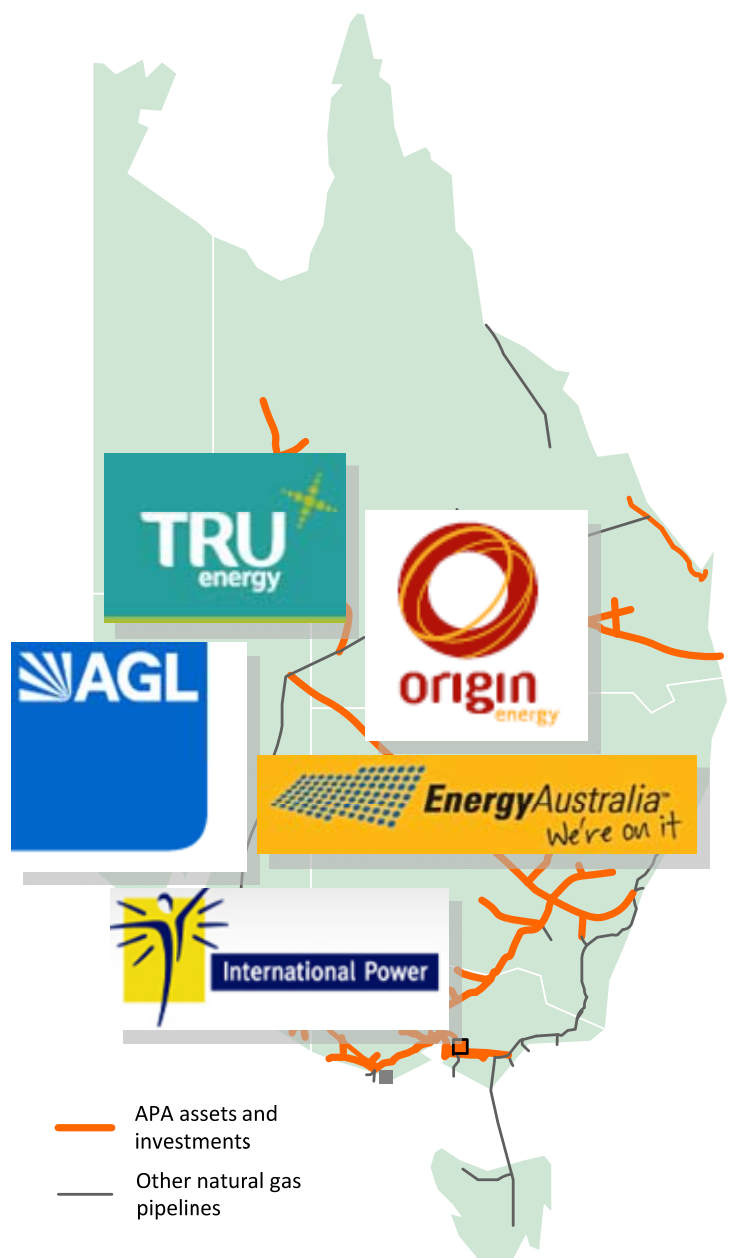
Source: ABARE 2010; IEA 2009a

(1) “Australian energy projections to 2029-30”, ABARE March 2010

# Relationship between gas storage assets and services



# Shipper consolidation and requirements

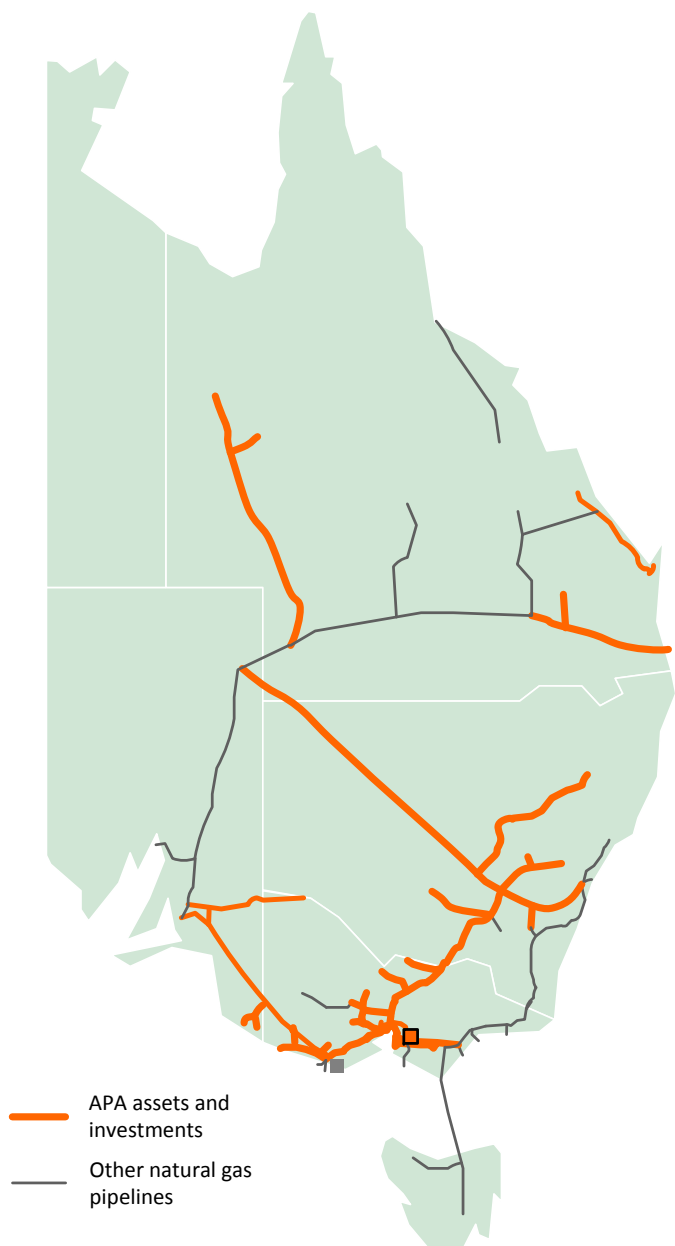


- Small number of retailers across east Australian gas and electricity markets
  - Sell both fuels to multiple markets
  - Have diversified gas portfolios across gas basins and producers
  - Involved upstream in electricity generation, gas production or gas storage
  
- Shipper requirements:
  - Security of supply
  - Load shaping services such as storage and peak delivery
  - Reduced complexity
  - Flexibility of moving gas from multiple supply sources to multiple markets

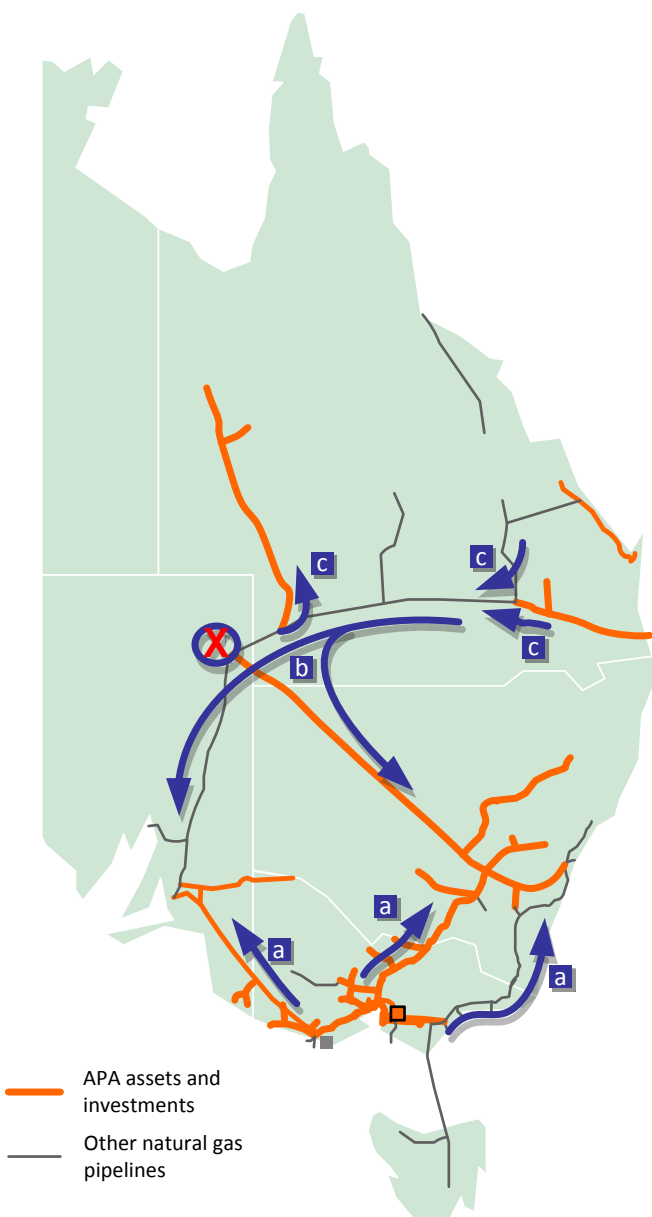
# East Australian gas grid benefits

... for all market participants

- Flexibility of supply
- Security of supply
- Gas affordability
- Simpler and potentially lower cost transportation service
- Enhancement of related services



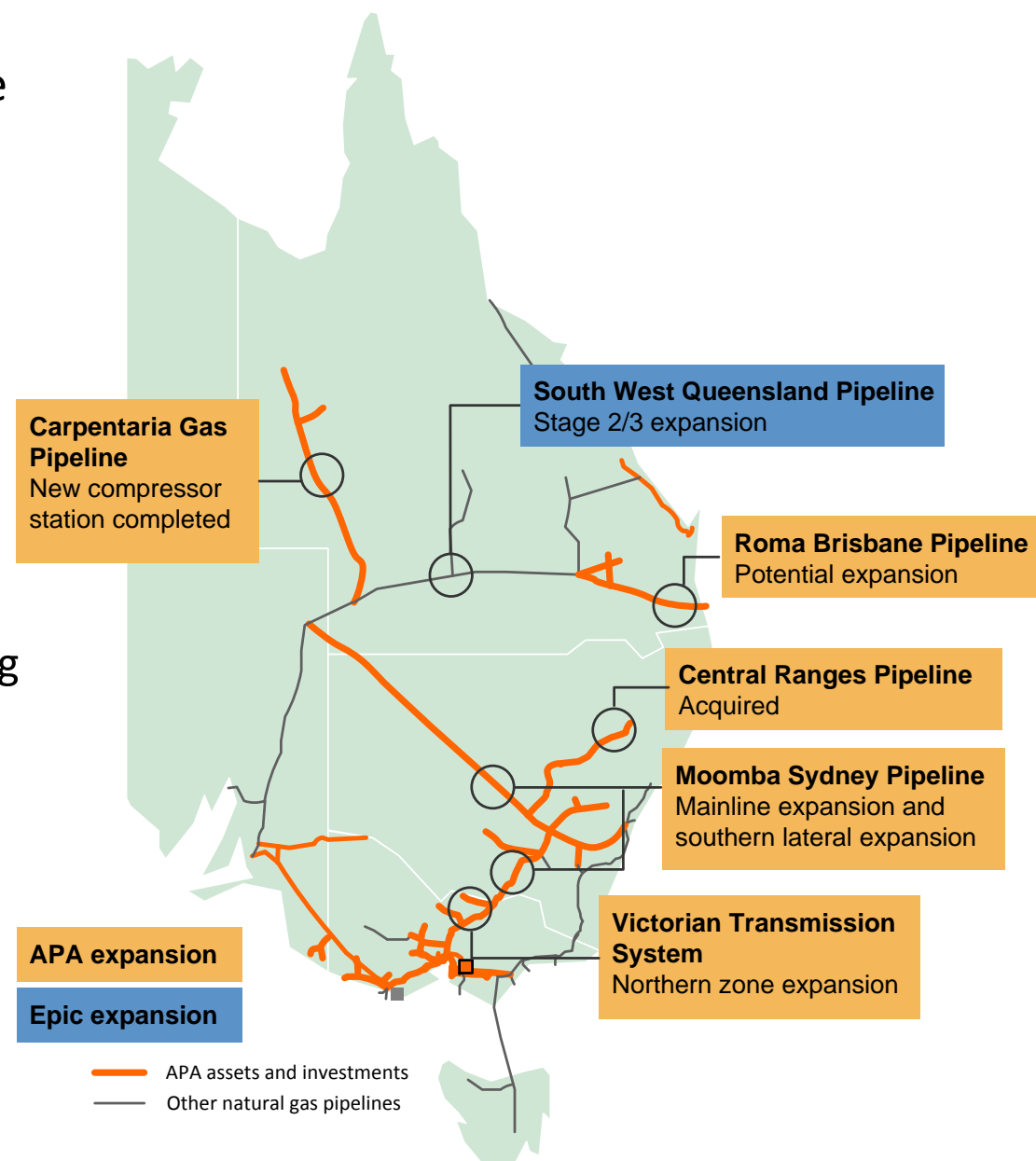
# East Australian gas grid currently providing security



- Gas restriction at Moomba plant for 3 days (late April 10)
  - no Moomba gas delivered into the Moomba Sydney Pipeline (MSP) or Moomba Adelaide Pipeline (MAP)
  - potential gas curtailment in NSW, ACT and SA markets
  
- Market participants worked together quickly and efficiently to limit gas curtailment with
  - a) additional gas from Vic delivered to NSW via APA’s NSW-Vic interconnect and Eastern Gas Pipeline, and to SA via SEA Gas Pipeline
  - b) Qld coal seam gas (CSG) delivered to NSW and SA via the QSN, MSP and MAP – first time Qld CSG delivered to the Sydney market
  - c) additional Qld gas directed into NSW and SA from increased production at Santos operated fields and spare line-pack gas from Roma Brisbane Pipeline
  
- Gas security was the priority for all market participants
  - APA put in place interim emergency arrangements to allow for alternate gas supply and receipt by shippers, and
  - all additional charges that could have been levied by APA were waived during this event

# Developing the east Australian gas grid

- A seamless sales and service experience for all our shippers across all our assets
  - A single commercial and operations interaction with shippers to coordinate transport quickly and seamlessly, including transport on 3rd party assets
- “Infrastructure” Layer
  - APA: existing pipelines form grid backbone
  - APA: continued enhancement of existing infrastructure
  - EPIC: expansion of SWQP/QSN
- “Service” Layer
  - Combination of technology, process change and commercial arrangements to deliver on APA’s vision of seamless service to shippers



## Conclusion

- APA is Australia's leading gas transmission and distribution business
- Dynamic gas industry, particularly in East Australia
  - facilitates competition, flexibility and efficiency
- Significant drivers of change and growth over the next 10 years
- Infrastructure in place to deliver gas to all major east coast markets
  - and capacity expansion in line with demand
- Continued development of an integrated gas grid to remain in the hands of market participants
- APA's vision is a seamless experience for all shippers on the east Australian gas grid



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# Delivering Australia's energy

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