The changing role of gas transmission organisations

Mick McCormack, APA Group Managing Director

UBS Australian Utilities Conference
29 April 2010

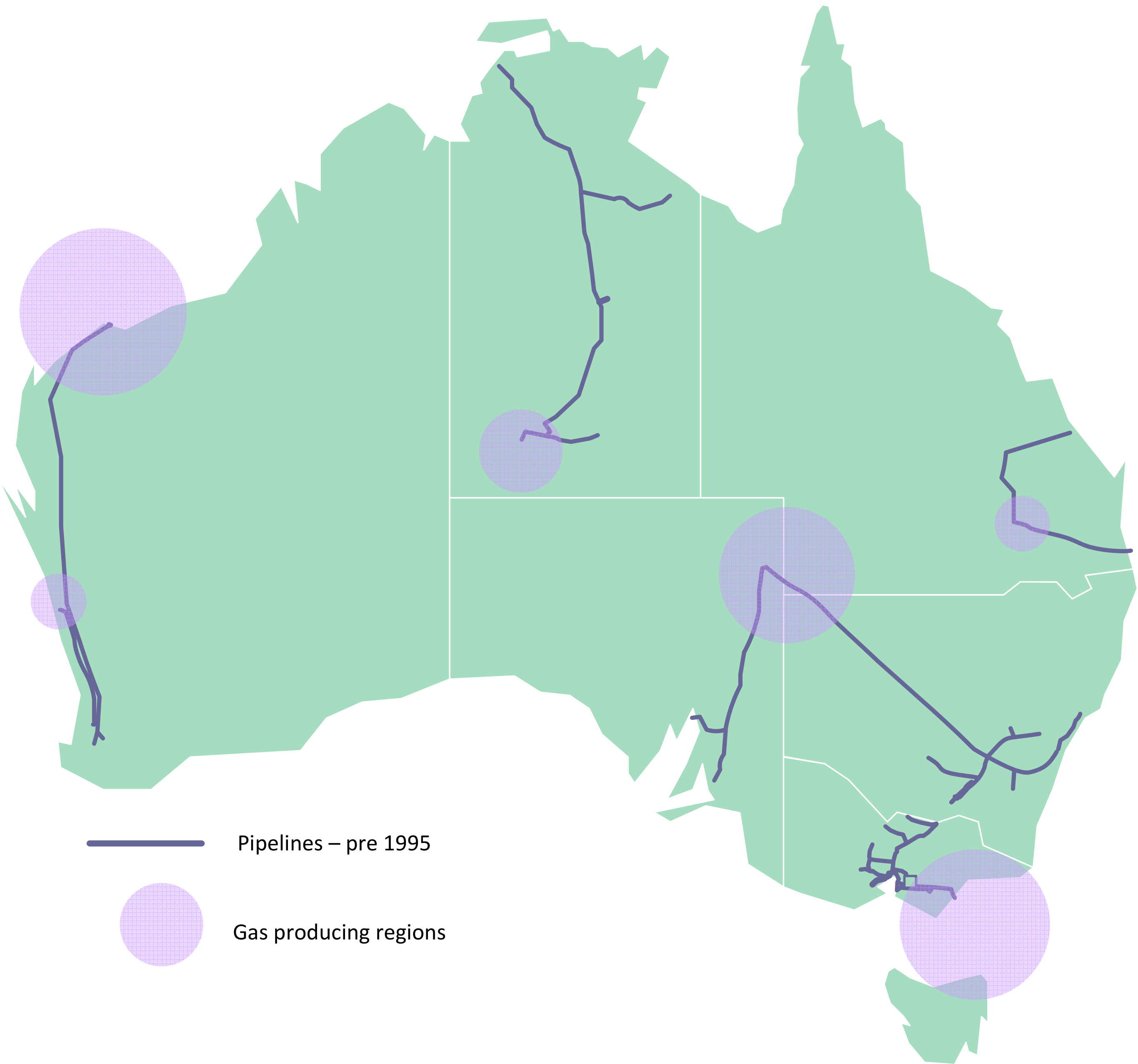
APA Group overview

- Australia's leading gas transmission and distribution business.
- Listed on the ASX – June 2000; entered S&P/ASX 100 index – October 2009
- 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 approximately 70% of natural gas used in east Australia, and more than 50% across Australia
  - Delivering natural gas from all major production sources to all major markets
- Internally managed and operated

Drivers of future growth and change

- Increasing gas reserves and production
- Increasing demand for natural gas
- Climate driven legislative changes
- Growing demand for storage
- Services tailored to shipper/customer requirements

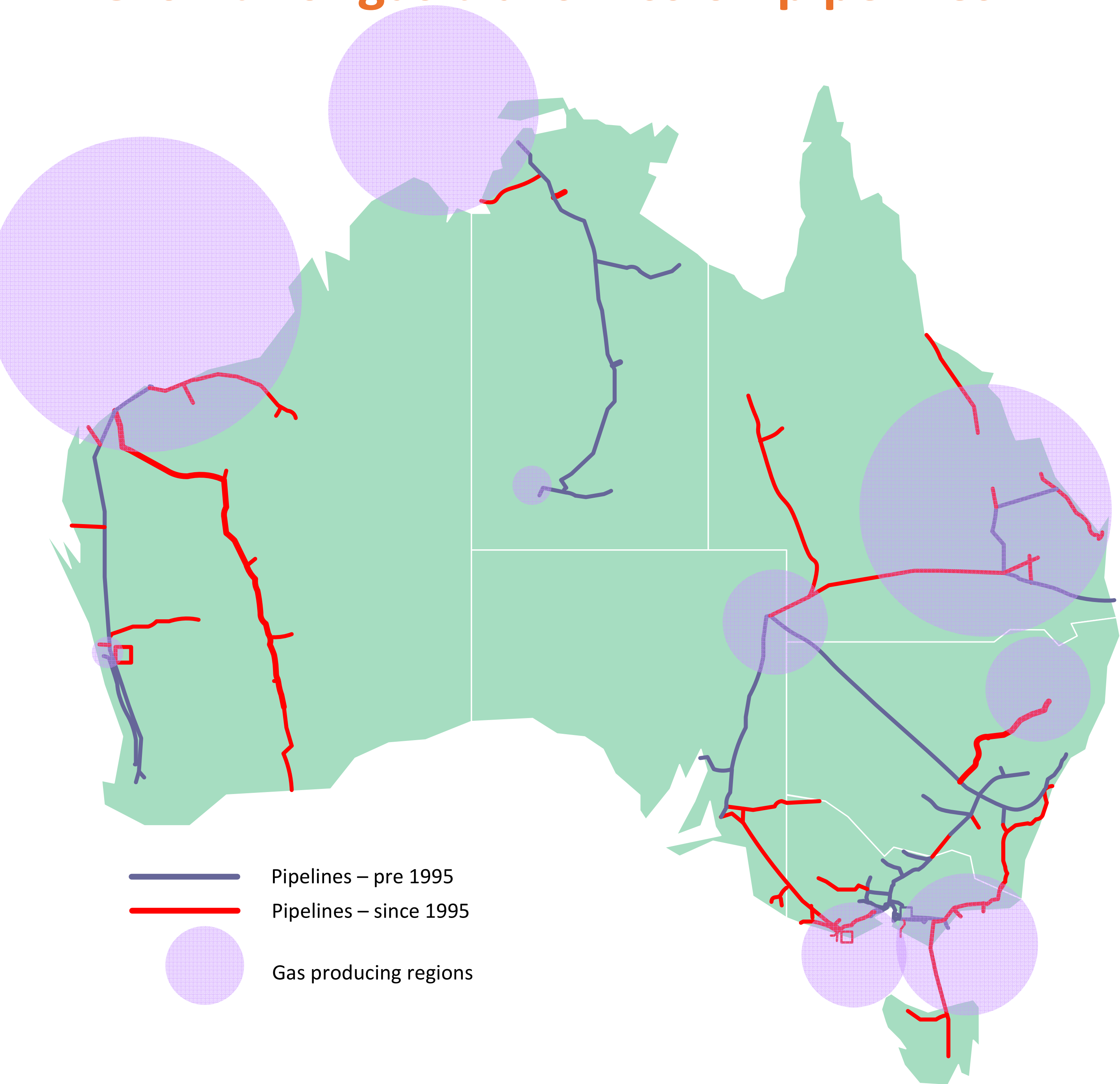
Growth of gas transmission pipelines



Gas pipelines pre 1995

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

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

Increase in gas volumes

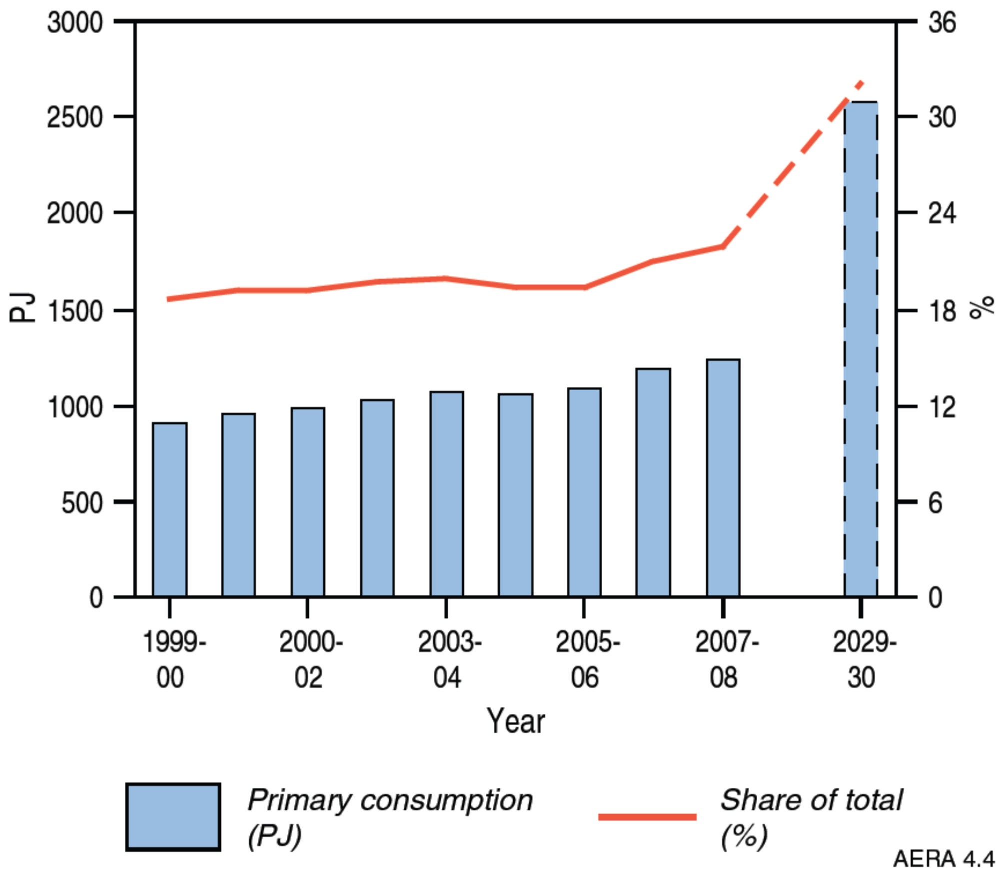


Figure 4.43 Outlook for Australian gas consumption,

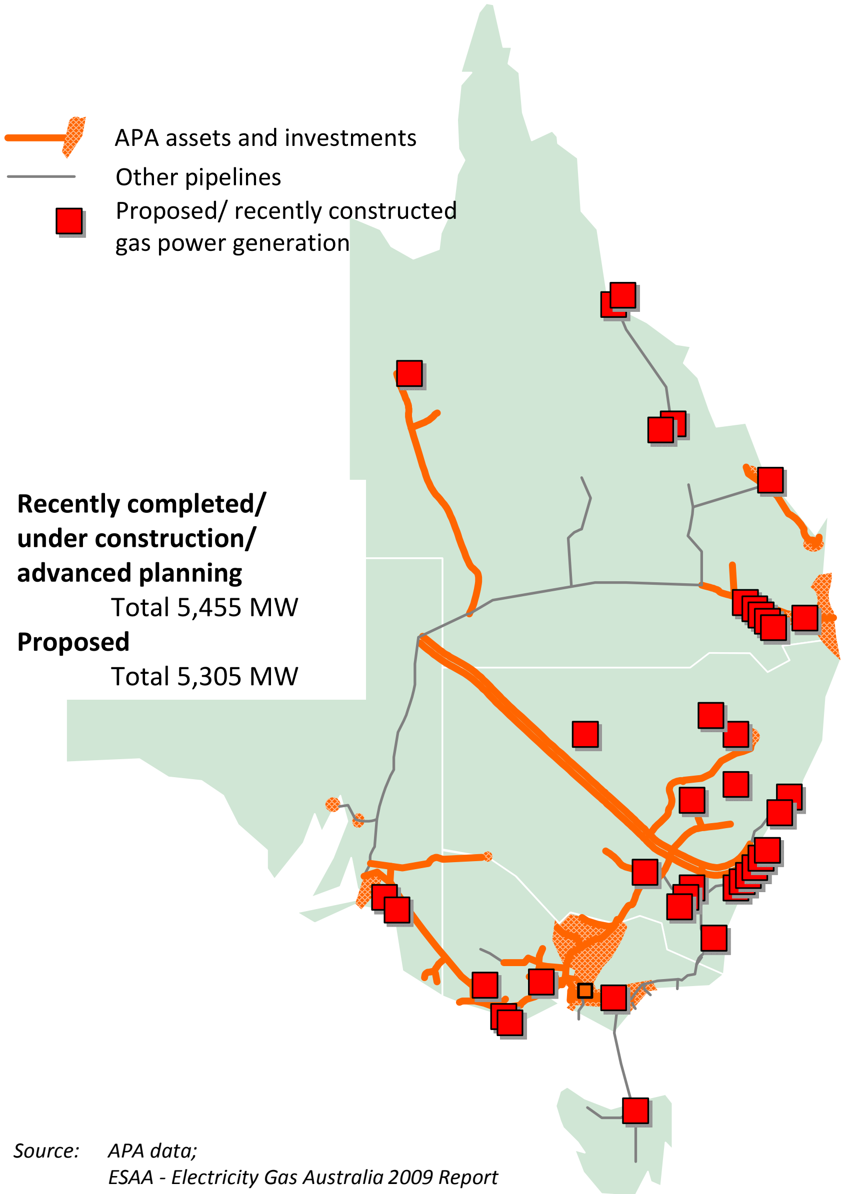
Source: ABARE 2010

- Growth in gas volumes [1]
  - 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



Recently completed/ under construction/ advanced planning
Total 5,455 MW
Proposed
Total 5,305 MW

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

- Reflects the shift to less carbon intensive fuels.
- Growth in electricity generated from gas (1)
  - 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

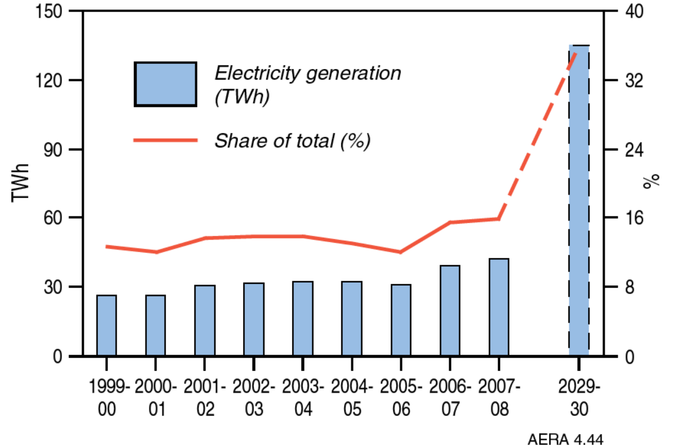
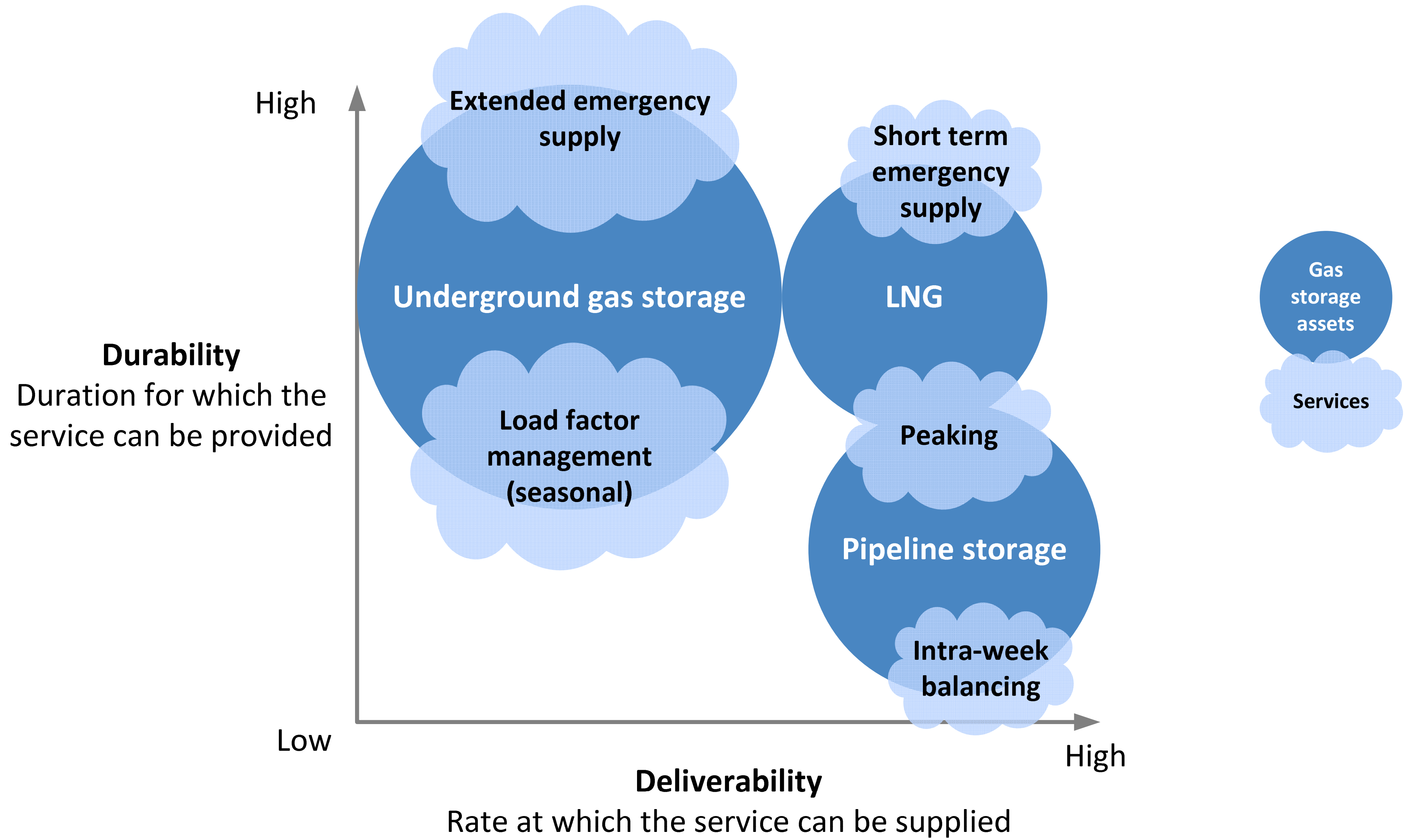


Figure 4.44 Outlook for Australian gas-fired electricity generation

Source: ABARE 2010; IEA 2009a

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

Relationship between gas storage assets and services



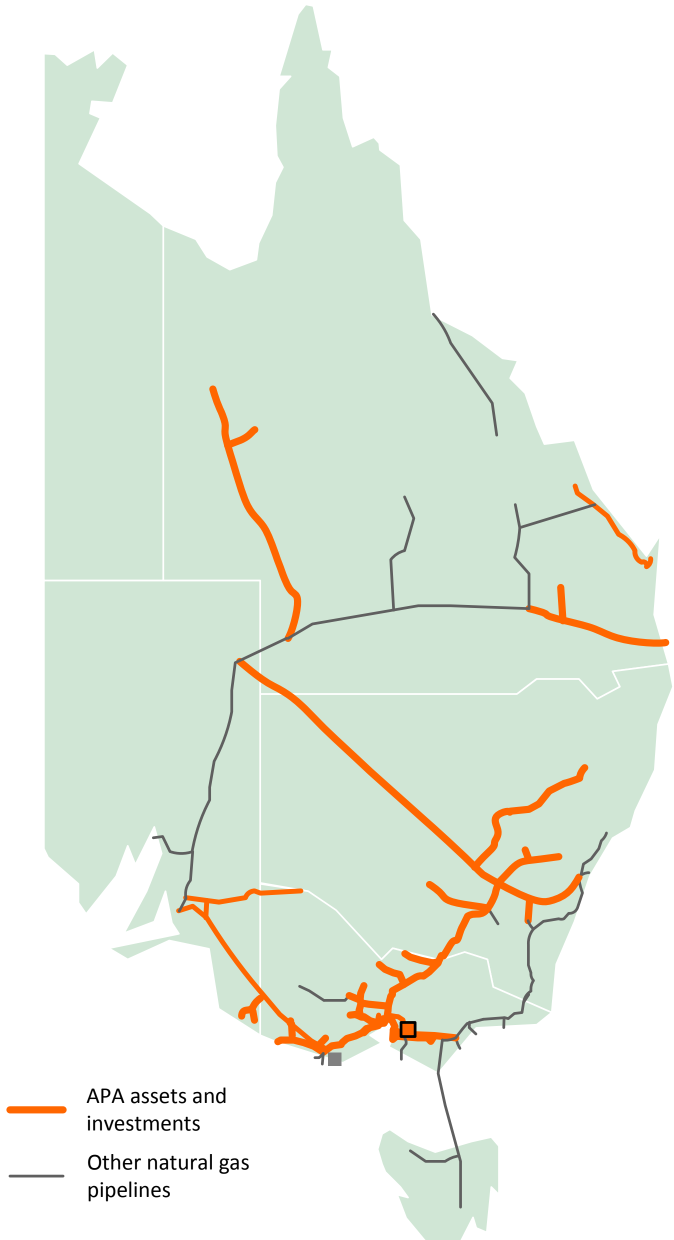
Short Term Trading Market (STTM)

- STTM for Sydney and Adelaide hubs from 4 June 2010
- Introduced to provide transparency in pricing of delivered gas supply
- Daily wholesale market where shippers and retailers “trade” gas
- New penalties for market trading participants for daily forecasting errors
- New services to minimise these penalties
  - Intra-day nominations to finesse forecasts and reduce retailers’ deviation charges
  - Additional firm transport, backhaul, and park & loan services to minimise exposure to STTM gas balancing charges

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

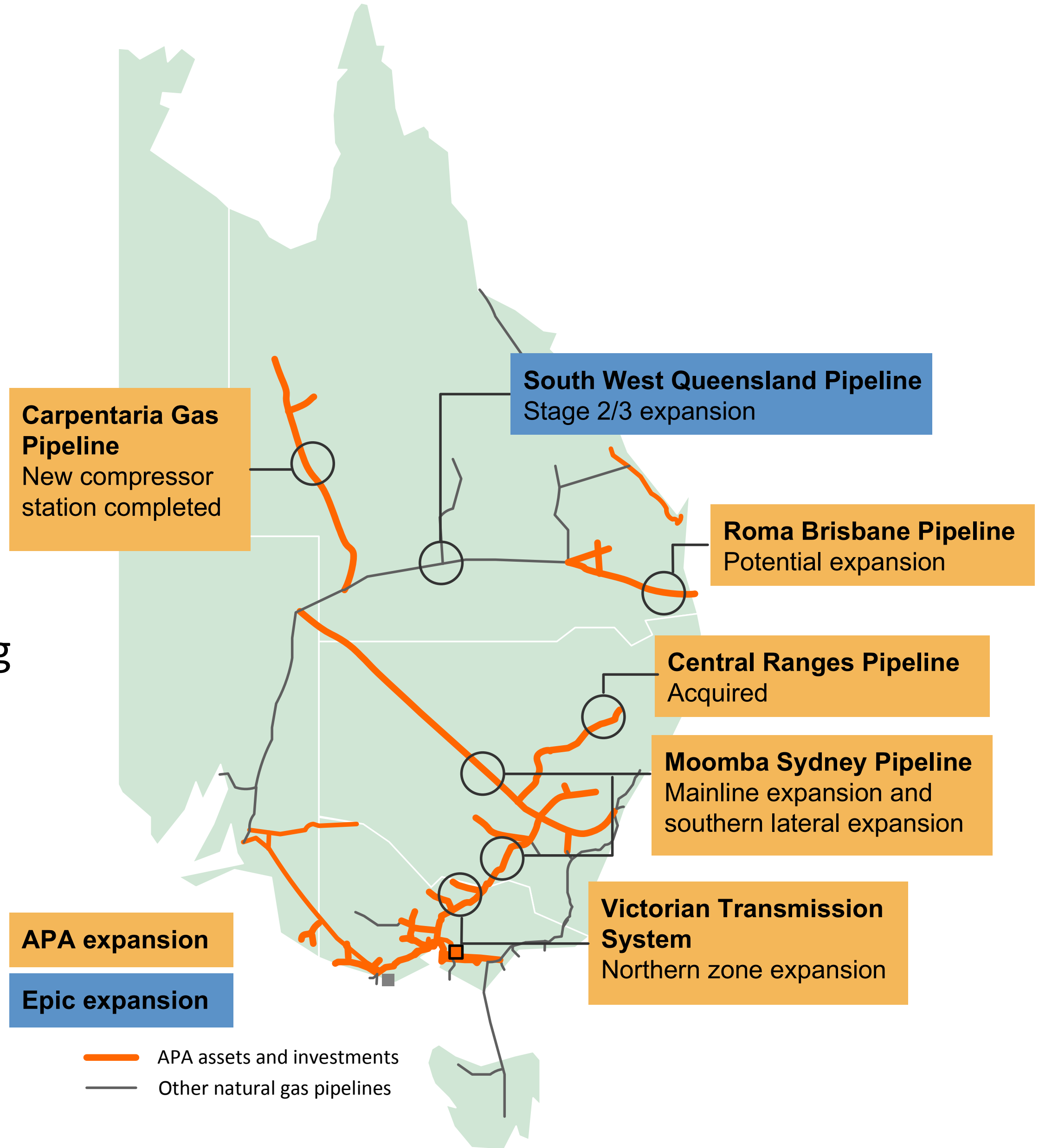


… for all market participants

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

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

- 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

Disclaimer

The information contained in this presentation is given without any liability whatsoever to Australian Pipeline Trust or APT Investment Trust or any of its related entities (collectively “APA Group”) or their respective directors or officers, and is not intended to constitute legal, tax or accounting advice or opinion. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or thoroughness of the content of the information. The recipient should consult with its own legal, tax or accounting advisers as to the accuracy and application of the information contained herein and should conduct its own due diligence and other enquiries in relation to such information.

The information in this presentation has not been independently verified by APA Group. APA Group disclaims any responsibility for any errors or omissions in such information, including the financial calculations, projections and forecasts set forth herein. No representation or warranty is made by or on behalf of APA Group that any projection, forecast, calculation, forward-looking statement, assumption or estimate contained in this presentation should or will be achieved.

Please note that, in providing this presentation, APA Group has not considered the objectives, financial position or needs of the recipient. The recipient should obtain and rely on its own professional advice from its tax, legal, accounting and other professional advisers in respect of the addressee’s objectives, financial position or needs.

This presentation does not carry any right of publication. This presentation is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by APA Group. Neither this presentation nor any of its contents may be reproduced or used for any other purpose without the prior written consent of APA Group.

Delivering Australia's energy

APA Group

For further information contact

Chris Kotsaris
Investor Relations, APA Group
Tel: +61 2 9693 0049
E-mail: chris.kotsaris@apa.com.au

or visit APA's website

www.apa.com.au