

Annual Report 2016

**Energy
inaction**

year, after year,
after year,
after year ...



Open letter from community members

Dear AGL Shareholder,

AGL's Power Stations in the Hunter Valley source coal from a number of regional mines, which are leaving terrible scars on the local communities who live there.

The Wilpinjong Mine, a large open-cut mine owned by Peabody Energy which filed for bankruptcy earlier this year, has had devastating impacts upon our once vibrant rural community in the Wollar district. To increase the mine's profits, a number of expansions have occurred to boost export coal production, all of which operate 24 hours a day, 7 days a week.

Noise emissions from Wilpinjong have driven people out of the area. Rather than address this noise pollution, Peabody has bought up surrounding properties, reducing the local population by 90%. The social impacts of this ongoing mine expansion includes the closure and sale of both churches in the village, the closure of the volunteer bushfire brigade and amalgamation with a brigade more than 30kms away and the public school under threat of closure. Peabody owns the general store and has closed down the only mechanical service within 50 km.

Peabody now has an expansion proposal to mine within 1.5km of the village and has been aggressively pushing remaining residents to sell up. The loss of social fabric and function has been acute. The remaining population does not want to be forced out of a place they love.

Like many communities affected by AGL's fossil fuel operations, the people of Wollar district are eager to see the company embrace an orderly exit from fossil fuel-fired energy production.

This approach would go a long way to protecting villages like ours from the blight of the fossil fuel industry's devastating expansion agenda.

Yours sincerely,

The Wollar community



The Context

Nationally, our energy system is geared to continue burning fossil fuels for years to come and to hold back the clean energy future that we urgently need.

Australia's energy grid is dominated by ageing and inefficient coal-fired power stations that produce far more power than we need¹, sending wasteful and polluting emissions into our atmosphere, damaging our land and water, and harming our health.

This excess and polluting coal power is also crowding out the space that could be filled by abundant and safe renewable power from the sun and the wind. If we are serious about tackling climate change and protecting our communities, this inefficient and polluting energy system needs to change.

As Australia's largest carbon emitter, AGL has a unique role to play in bringing government, workers, and communities together to drive this pivotal energy shift. But instead, they have a plan to continue propping up dirty coal power for the next three decades.

AGL wants us to believe that it is a clean, green energy company. Its website is full of images of shiny solar panels and wind turbines, and the CEO tours the globe talking about climate action.

**AGL'S
DIRTY
SECRET**

In fact, it is neck-deep in the dirty energy business.

Not only is AGL Australia's single largest polluter, but its carbon emissions increased more than 92% in 2014-2015 and the company continues to explore investments in fossil fuels which are devastating our climate, communities, and ecosystems.

The science is simple—AGL cannot go on burning coal and gas until 2050. Australia's energy needs to be 100% clean long before then. The health of our communities and climate depends upon it.

1 IEEFA (2016), [Subcritical: Risks from Market Imbalance in the Australian National Electricity Market](#)

Damaging our Climate

AGL has committed to limiting global warming to 2 degrees²—the red line agreed to by scientists globally. Yet, its current coal closure plans have it continuing to pump climate pollution into the atmosphere for another 32 years—well beyond the 2 degree limit that scientists agree is safe.

Recent analyses show that Australia has little to no remaining carbon left to burn if we are to stay below 2 degrees, let alone 1.5 degrees.³ Yet AGL's closure plans defy this reality.

- **Biggest carbon polluter**
- **Emits the same amount of carbon dioxide as almost half the cars in Australia**
- **Owns Australia's most carbon polluting coal plant**
- **Has blocked positive climate change action and policy**

AGL is Australia's biggest carbon polluter,⁴ emitting 38 million tonnes of carbon dioxide per year.⁵ That is equivalent to the pollution produced by almost half of all the cars in Australia.⁶

AGL owns three of Australia's eight most polluting coal-fired power stations, including Australia's most carbon polluting coal-fired power station—Loy Yang A in Victoria's Latrobe Valley.

AGL has a history of blocking climate action, for example by attacking the Renewable Energy Target and calling for the carbon price to be axed.⁷ A recent Melbourne Environment Institute report revealed that AGL may have also gamed the electricity market in South Australia, contributing to price hikes which have been incorrectly blamed on renewable energy.⁸

**your
AGL**

2 AGL (2015), [Greenhouse Gas Policy 2015](#)

3 Stockholm Environment Institute (2016), [Implications for Australia of a 1.5° future](#)

4 Australian Conservation Foundation (2016), [Australia's 10 Biggest Climate Polluters](#)

5 AGL (2015), [Sustainability Report](#)

6 Assumes annual CO₂ emissions of 4416kg (EPA), a population of 23 million and car density of 765 cars per 1000 people (ABS 2015 Motor Vehicle Census)

7 Renew Economy (2016), [Energy incumbents fight changes that could accelerate battery storage](#), 8 July.

8 Melbourne Energy Institute (2016), [Winds of Change: An analysis of recent changes in the South Australian Electricity Market](#)





Damaging our Environment

In addition to polluting the climate, AGL has a history of polluting the local environment in which its fossil fuel projects operate.

For example:

- Last year, the EPA suspended AGL's gas operations at Gloucester after fracking chemicals were detected in the surrounding environment⁹;
- Last March, the company was fined for releasing methane from its Camden gas project¹⁰
- Earlier this year, AGL was fined for discharging fly ash and allowing 6000 litres of sulphuric acid to be discharged from its Bayswater coal-fired Power Station into the adjacent stormwater drains and nearby Tinkers Creek.¹¹
- AGL has been fined for failing to publish air emissions monitoring data¹²
- In 2013, AGL was fined for above-limit emissions of nitrogen oxides at its Rosalind Park Gas Treatment Plant¹³
- AGL recently closed Lake Liddell adjacent to their Liddell power plant in the Hunter Valley due to the presence of a dangerous strain of brain eating amoeba¹⁴

your
AGL

- **AGL has a string of environmental breaches to its name, including methane pollution, sulphuric acid discharge, failure to publish emissions data, and release of fracking chemicals**

These are just a few examples in a history of environmental breaches on AGL's part.

9 EPA (2015), [AGL operations suspended and EPA investigating after BTEX chemicals detected in Waukivory well](#), 27 January.

10 EPA (2015), [EPA issues penalty notice to AGL Camden Gas](#), 5 March.

11 EPA (2016), [EPA fines AGL \\$15000 for Macquarie fly ash](#), 31 March; EPA (2016), [EPA fines Macquarie AGL for water pollution](#), 8 January.

12 EPA (2013), [AGL fined for failing to report Air Emission Monitoring data](#), 15 July.

13 EPA (2013), [AGL fined for breach of license](#), 12 March.

14 Hunter Valley News (2016), [AGL Macquarie confirms Lake Liddell is permanently closed](#), 12 August.

Damaging our Health

Coal pollution damages people's health and is known to cause breathing, heart and nervous system diseases. In Australia, it is estimated that the adverse impacts from pollutants produced from coal-fired electricity generation costs around \$2.6 billion annually.¹⁵

Air pollution kills more than 3000 Australians every year and pollution from coal fuelled power generation and mining contributes to poor air quality.

The 2016 National Pollutant Inventory (NPI) report confirmed that AGL is a major emitter of pollutants that are harmful to human health, including PM10 (coarse particles), PM2.5 (fine particles), sulfur dioxide, oxides of nitrogen, hydrochloric acid, and mercury.

There are significant concerns around the impacts that AGL's power stations—Bayswater and Liddell in the Hunter Valley and Loy Yang A in the Latrobe Valley—are having on the local communities. Combined, these stations exposed surrounding communities to more than 270 million kilograms of air and water pollution during 2014–2015.

AGL doesn't pay a cent for the damage that its pollution is doing to the health of our communities yet receives over \$2 billion annually in Government handouts to continue polluting.¹⁶

- **Major emitter of pollutants that damage human health**
- **Local communities exposed to over 270 million kilograms of air and water pollution from AGL's coal plants in 2014-15**
- **Receives over \$2 billion in government handouts**

**your
AGL**

15 Climate Council (2014), [Climate Council Briefing Paper: Health Effects of Coal](#)

16 Getup (2015), [The Dirty Dozen: How Australia's 12 worst polluting coal power plants are taking taxpayers for a \\$6.45 billion ride](#)





Risking AGL's Bottom Line and Reputation

The long and short term outlook for coal is grim. Rising production costs coupled with a global glut are causing coal prices to plummet, prompting widespread acknowledgement that coal is undergoing a structural decline.¹⁷

Consequently, major investors such as Rabobank, Norway's largest insurance company Storebrand, the World Bank, and the European Investment Bank are restricting finance to new coal. Even the world's largest sovereign wealth fund, the Norwegian Pension Fund, has divested from coal.

If these major financial players admit that the writing's on the wall for the coal industry, why does AGL continue to plough millions of its shareholders' dollars into the sector, risking the growing likelihood of stranded assets? Furthermore, the more AGL delays its transition plans, the greater the rehabilitation costs it faces. Current estimates have those costs in the hundreds of millions of dollars.¹⁸

- **The coal industry is in structural decline**
- **Major investors are moving away from fossil fuels**
- **Public opposition to fossil fuel investment is growing**
- **Yet AGL's plans will see its coal plants stay open for decades, posing growing risks for their reputation and bottom line**

A majority of Australians agree that continued investment in fossil fuels, particularly coal, pose major risks to our environment, health and the economy. Recent polling in Victoria found that even residents in conservative electorates support the closure of coal fired power stations like Hazelwood.¹⁹ If AGL continues to adhere to a fossil fuel dominated business model, it can expect to face growing pressures from its shareholders, customers and the communities in which their coal assets operate. This poses major risks for their carefully crafted brand and the health of their bottomline.

17 The Australian (2015), [Citi says thermal coal 'in structural decline](#), 29 May.

18 IEEFA (2016), [Subcritical: Risks from Market Imbalance in the Australian National Electricity Market](#)

19 Renew Economy (2016), [New polling shows voters in Liberal-held marginal seats support phasing out Hazelwood](#), 30 June

What is the solution?

Major improvements in renewable energy generation, affordability and energy efficiency are pushing fossil fuels out of the market.²⁰ As this trend continues, investment will increasingly be driven away from carbon-polluting industries like coal.

In Australia, wind is already cheaper than new coal and gas. In India, unsubsidized utility-scale solar is cheaper than the total cost of a gas-fired power station running on imported fuel.²¹ According to Australian Government modeling, by 2030, renewables will be among the most cost-competitive of all energy forms.²²

Contrary to the arguments put forward by the fossil fuel industry, analysis shows that it is entirely feasible for Australia to rapidly transition to 100% renewable energy by 2030.²³ If the entire country can transition at this pace, AGL can and must move faster. It's time for the company to develop a plan to transition out of fossil fuels by the end of 2025.

As Australia's biggest climate polluter, AGL must be at the forefront of planning to close its dirty coal power stations and replace them with clean energy. Leaving closure to chance means leaving workers and communities in the lurch.

A major transition away from coal and gas is already happening in communities across Australia. But to ensure this happens fairly there must be the opportunity for workers and communities to shift to alternate industries well before projects close. It's time for AGL to live up to its talk and commit to a timeline and plan for coal and gas closure.

“ If Australia can be powered by 100% renewables by 2030, AGL can get off fossil fuels even sooner ”

20 Generation Foundation (2013), [Stranded carbon assets: why and how carbon risks should be incorporated in investment analysis](#), October 30.

21 Renew Economy (2013), [Renewables now cheaper than coal and gas in Australia](#), February 7; Michael Parker and Purdy Ho (2013), "Global Renewables: Higher Than The Sun...A 34-Country Study of Where Unsubsidized Solar Economics Work, Today," Bernstein Research, September 2.

22 Bureau of Resource and Energy Economics (2012), [Australian Energy Technology Assessment](#), Australian Government.

23 Getup & Solar Citizens (2016), [The Home-grown Power Plan](#); Renew Economy (2016), ["Base load" power: a myth used to defend the fossil fuel industry](#), 2 March.





STOCK	BID	OFFER	LAST	VOL	
EUR GROUP	0.060	0.070	0.000	0	FARM
EUROGOLD	0.098	0.140	0.000	0	FE LIM
EUROP GAS	0.325	0.335	0.335	77T	FEO.AX
EUROZ	1.000	1.020	1.000	4T	FERRO
EVOLUTION	1.935	1.940	1.935	2M	FERRU
EVZ LTD	0.041	0.050	0.050	5T	FIDUCIA
EXALT RES	0.000	0.000	0.000	0	FIE.AX
EXC.AX	0.040	0.049	0.040	50T	FINBAF
EXCALIBUR	0.001	0.002	0.000	0	FINDER
EXCELA	0.010	0.090	0.000	0	FIREST
EXCELSIOR	0.190	0.195	0.190	30T	FIRSTF
EXCO RES	0.260	0.265	0.260	5HT	FISSION
EXOMA ENER	0.072	0.075	0.072	35T	FITZRO
EZA.AX	0.430	0.490	0.000	0	FKPSTA
FELHOLD	3.360	3.500	0.000	0	FLATGL
FACILITATE	0.020	0.053	0.000	0	FLEETV
FAIRFAX	0.395	0.400	0.395	18M	FLEXIG
FAIRSTAR	0.009	0.010	0.009	3M	FLIGHT
FALCON MIN	0.025	0.028	0.000	0	FLINDE
FALL RIVER CDI 1	0.007	0.008	0.008	2HT	FOCI IS
FANTASTIC	2.830	2.840	2.830	7T	
FAR	0.034	0.035			

Who can change this?

AGL invests millions of dollars in maintaining its perception as a 'good guy' of the energy sector. Since its new CEO, Andy Vesey, came onboard in 2015, AGL has been talking the talk about climate change. The problem is the company hasn't been walking the walk.

AGL seems far more focused on rebranding itself as a green power company than actually doing the work to get off coal and gas.

It's time for AGL's CEO Andy Vesey and the AGL Board to commit to closing down all coal and gas sections of their business by the end of 2025. If we are to have a chance at a safe future, AGL must develop a plan to make the transition from fossil fuels fair and with the involvement of impacted communities.



What can you do?

AGL's current plan to keep its coal plants open until 2050 violates its 'We Mean Business' commitment to "demonstrate that its business activities are consistent with a 2 degrees celsius carbon-constrained future".

A growing movement of AGL shareholders and customers are calling on AGL to go fossil free by 2025.

You can join them by asking the AGL executive in today's AGM and beyond the following questions:

Q: The climate science indicates that to meet a 2 degree warming target, coal power stations will have to close within the next decade.

Will you review the timeline for closure of AGL's coal fired power stations to ensure it is consistent with the company's own commitment to limiting global warming to 2 degrees?

Q: You plan to close Liddell in six years—**what plan do you have for worker and community transition and rehabilitation for the site, including addressing the amoeba outbreak in the adjacent lake?**

Q: A Credit Suisse report from January this year indicates that AGL has seriously underestimated restoration and rehabilitation costs for its coal assets by ~\$320million. **What is AGL doing to ensure it adequately rehabilitates sites including power stations and gas wells and has this liability been properly reflected in the company's bottom line?**

Q: **What are you doing to manage the growing reputational risks that your company faces by failing to tackle the climate impacts that your fossil fuel assets are causing.**

For more information about the national campaign visit: www.dirtyagl.com.au

Image credits:

Covers: Line 'Em Up; Ian Mutto, CC via attribution Flickr

IFC: Wollar locals

Page 4: Open cut coal mine Hunter Valley; Beyond Coal and Gas, CC via attribution Flickr

Page 7: Dirty Hazelwood, © Environment Victoria via Flickr

Page 8: Coal seam gas scarring the Hunter landscape; Jeremy Buckingham MLC, CC via attribution Flickr

Page 11: Chiled in mask; Zurijeta / Shutterstock.com

Page 12: Colin at AGL event; 350.org, CC via attribution Flickr

Page 15: Broken Hill Solar Plant; Jeremy Buckingham MLC, CC via attribution Flickr

Page 16: Australian Stock Exchange; Passion Images / Shutterstock.com

Page 17: Albany wind farm; ZambeziShark iStock by Getty Images

IBC: Raymond McLaren, 75 risks arrest to protect the Leard State Forest; Beyond Coal and Gas, CC via attribution Flickr





**Energy
inaction**

**AGL can
and must
do better!**