



ASX & Media Release

Loy Yang - Structured Transition Agreement

21 August 2023

AGL Energy Limited (AGL) today announced it has entered into a Structured Transition Agreement (STA) with the Victorian Government (the State) relating to arrangements for the operation, maintenance and retirement of the Loy Yang A Power Station (LYA PS) and the associated mine.

The purpose of the STA is to provide AGL, the State, the energy market, employees and consumers with a higher level of certainty around the ongoing operations, future closure and subsequent remediation of the LYA PS and mine. The STA does not change AGL's existing remediation provision and impairment charges related to the LYA PS and mine (as reflected in AGL's consolidated financial accounts for the full-year ended 30 June 2023), and AGL's rehabilitation obligations in relation to the LYA PS and mine will continue to be subject to statutory processes set out in the *Mineral Resources (Sustainable Development) Act 1990 (Vic)*.

The STA provides for AGL and the State to collaborate on the orderly closure of the LYA PS by a scheduled closure date of 30 June 2035, in line with AGL's targeted closure date for the LYA PS announced in September 2022. AGL will notify the Australian Energy Market Operator (AEMO) of the 30 June 2035 closure date for the LYA PS generating units.

It also includes a framework that provides greater clarity for:

- The reliable and secure supply of electricity in Victoria by safeguarding the continued and reliable operation of the LYA PS at certain agreed minimum operational and performance availability levels until its closure date;
- Avoiding an unplanned closure of the LYA PS before the scheduled closure date through a risk sharing mechanism that will apply in the event of adverse market conditions transpiring before the scheduled closure date (if deemed necessary by the State including to maintain system reliability);
- The timely rehabilitation of the LYA PS and mine in accordance with statutory requirements following the closure of the LYA PS;
- Investment in replacement generation capacity by providing certainty on the retirement of legacy generation; and
- Economic and workforce transition arrangements to support the Latrobe Valley region.

The STA allows for scenarios where the LYA PS can close earlier than 30 June 2035, with agreement from the State, including if the power station is not needed for the reliable and secure supply of electricity in Victoria (as determined by AEMO).

In addition, under the STA AGL will:

- Continue to operate the LYA PS in accordance with certain agreed operational and performance availability levels and consistently with generally accepted industry standards; and
- Support the transition of the LYA PS and mine workforces and site and contribute to the regional economy, including through the establishment of a Community and Economic Development Fund funded by AGL consisting of \$20 million to be directed to community benefit activities and \$30 million to be directed to site repurpose activities.



The STA includes a range of rights for AGL and the State to suspend obligations under the STA or terminate the STA. This includes rights for each of AGL and the State to terminate the STA without cause, provided that the terminating party has the prior consent of the other party subject to and in accordance with the STA.

The entry into the STA is consistent with AGL's targeted closure dates and greenhouse gas emission reduction targets as outlined in AGL's 2022 Climate Transition Action Plan.

Authorised for release by AGL's Market Disclosure Committee.

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About AGL Energy

At AGL, we believe energy makes life better and are passionate about powering the way Australians live. Proudly Australian for 185 years, AGL supplies around 4.3 million^[1] energy and telecommunications customer services. AGL is committed to providing our customers simple, fair and accessible essential services as they decarbonise and electrify the way they live, move and work. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other essential services to enhance the way Australians live, and to help preserve the world around us for future generations.

For more information visit [agl.com.au](https://www.agl.com.au).

^[1] Services to customers number is as at 10 August 2023.