

**TONY CONCANNON**

**FINAL**

**Opening of the RRR project**

**16 February 2010**

Good morning and welcome ...

By way of introduction, my name is Tony Concannon. For the past 7 years I have headed-up the Australia region and have also been a member of the Board of International Power plc since the start of 2004.

I am delighted to attend today's proceedings. It marks an important milestone which many of the people gathered here today have worked tirelessly to make it a resounding success. This large infrastructure project is valued at \$350m and started 12 years ago. It has involved the setting up of a new Westfield mine, the building of a new highway and the careful construction of 10km of river and tributary streams which we will open today.

I'd like to pause if I may and explain how Hazelwood sits with the Australian portfolio and indeed within the IPR global fleet. Hazelwood is 1600MW or about one third of the 3,700MW IPR owns and operates across three States in Australia. IPR is the largest private generator of electricity in Australia and produces about 40% of Victoria's energy - and 12% of the Eastern States in total – with a diverse mix of coal, gas renewable and retail businesses.

This is against a backdrop where IPR plc owns and operates just over 33,000MW in 21 countries. It is a ftse 100 company with a focus on large-scale power generation. 60% of its capacity is gas-fired and is in the top 10 in terms of wind turbine ownership (with 1,300MW operating today).

But let us turn back to the road and river project at Hazelwood....

This infrastructure project has been finished to time and under budget and it has required outstanding skills from many people – including many from within this room - across a number of disciplines including project management, logistics, civil engineering, and close working with both environmental authorities and the local community.

The project has also fulfilled the promises we made after the exhaustive 2.5 year public enquiry which started in 2003 and ended in late 2005. This enquiry fully considered emissions from Hazelwood with an asset life to 2036 (as sold by the Victorian Government) and was approved by both State and Federal Governments.

With a lead-in time of 12 years what this reminds us is that large-scale capital intensive projects such as the one we are celebrating today cannot respond to vacillating politics of the day and/ or the latest opinion poll. It requires careful planning, regulatory certainty and patience by Government for new and cost effective CO2 removal technologies to develop.

A pilot CO2 capture plant was commissioned at Hazelwood in mid 2008. It is designed to capture 25 tpd of CO2 using Amine solvents which

essentially strip the CO<sub>2</sub> from the flue gas. Although it captures less than 1% of the CO<sub>2</sub> emissions from one coal-fired unit it reflects the best global technology which is available today i.e. it shows how much the technology needs to develop.

There has never been more uncertainty hanging over Hazelwood as a business and a community and there is a very real regulatory threat which could force the power station to close in mid 2016.

I was privileged to be part of the previous Government's emission task group and fully support a well designed emission reduction scheme. However the current Government scheme does not do this. It has been carefully crafted to destroy equity value for coal-fired power plant (both modern and old plant) and it has dialled in a "crash setting" for the electricity sector with sovereign risk at an all time high and lenders clambering to recover their loans – 85% of Australia's electricity is produced from coal-fired power plant. It is so unnecessary and a detailed solution was provided by the private sector to Government in October 2009 to cure the key issues – it was ignored.

If a Government has destroyed shareholder value in a cavalier fashion once – we estimate \$7 billion will be affected by the current version of CPRS – then it will do it again and again – brown and black coal today, perhaps renewable, gas and/ or nuclear investments in the future. Investors – both providers of debt and equity have long memories in capital intensive businesses.

But, I have a long memory too, and I want to personally thank all involved with this project. For the issues they have overcome during the

last three years and the unequivocal commitment they have made including:

RTL (great partnership with HPP)

West Gippsland Catchment Management Authority

Latrobe City Council

EPA

Richard Polmear

Gary Mauger

Steve Rieniets

Finally, I would like to acknowledge the contribution made by the Mine Director Ian Quail and to wish him a happy and healthy retirement when he hangs his gloves up at the end of May this year.

Thank you for listening...

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