



GRIFFIN ENERGY PTY LTD

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Wally Cox
Chairman
EPA
8th Floor Westralia Square
141 St Georges Terrace
Perth WA 6000

Dear Sir

BLUEWATERS POWER STATION GREENHOUSE GAS MANAGEMENT

I refer to discussions between members of the EPA Service Unit and Griffin Energy Pty Ltd (Griffin Energy) on Thursday 25th November.

We have been asked to address the differential between the Green House Gas (GHG) emissions of our Bluewaters project and a like sized Combined Cycle Gas Turbine (CCGT) (on a full life cycle basis). Our calculations would suggest an annual GHG output from Bluewaters of 1,300,000 tonnes per annum compared to 680,000 for a CCGT facility. In a similar fashion our proposals under the Power Procurement Process (PP2) would emit an expected 2,600,000 tonnes per annum versus a CCGT of similar size and load factor at 1,360,000 tonnes per annum.

We have reviewed the WA Greenhouse Strategy, The WA Fuel Diversity in Power Generation Policy and the EPA's Preliminary Position Statement No. 9 on Environmental Offsets. We have referenced these and used them as an aid to preparing the following commitments with respect to the management of greenhouse gas emissions from the Bluewaters Power Station and our proposals to Western Power under the Power Procurement Process (PP2).

- Griffin Energy will commit to participate in the Australian Greenhouse Office Greenhouse Challenge in 2005. Participation in the Challenge will be a joint initiative of the Group with The Griffin Coal Mining Company Pty Ltd (Griffin Coal) and WR Carpenter Agriculture Pty Ltd (WRCA), both sister companies of Griffin Energy participating with Griffin Energy.

- As part of the Greenhouse Challenge, Griffin Energy will prepare a Greenhouse Gas Management Plan for each of our proposals. The first step in this plan has been implemented with a commitment to using the AGO Technical Efficiency Guidelines by the design teams for the power station proposals.
- In addition we will initiate several offset and research measures to address greenhouse gas emissions over the life of each project. This demonstrates Griffin Energy's commitment to addressing the EPA's principle requirement to first adopt an On-Site Impact Mitigation Program that avoids, minimises, rectifies, reduces or eliminates the impact of greenhouse gases over time.
- Specifically Griffin Energy commits to implement the following measures:
 - 1 Continued planting of eucalypt trees on former mined areas owned freehold by Griffin Coal and WRCA. This ongoing program is designed to initially sequester 1,000 tonnes per annum of GHG with the program extending over 5 years. 5,000 tonnes of GHG have been sequestered since planting began on land cleared before 1990. This calculation is based on the AGO National Carbon Accounting system and is capable of external verification.
 - 2 Griffin Energy proposes to plant approximately 2000 hectares of mallees on Joanna Plains and other farming properties owned by WRCA in the WA agricultural regions, during the construction and commissioning period of the power station. This action will extend over a 3 year period and is designed to initially sequester 90,000 tonnes per annum of GHG and is again capable of external verification.
 - 3 Commitment to the construction of an 80 MW wind farm (40 MW net interest) near Cervantes, WA at a total capital cost of \$165 million. The farm is expected to produce 280,000 MWhrs annually resulting in GHG savings of 220,000 tonnes across the SWIS system. This commitment would of course be subject to agreement regarding the valuation of the GHG benefits of the wind farm with the EPA.
 - 4 Initiation and development of other projects to the point where they can be included as offsets in the program. These projects include research into commercial uses of ash, contributions to the CRC for Coal in Sustainable Development (CCSD) and investigations into sequestration potential in rangelands.

In addition to those commitments outlined above Griffin will continue to support and provide access to Griffin owned land and facilities to enable the diversion of the East Collie River. This will facilitate the diversion of each season's first flush flows of salt water away from Wellington Weir. This project is anticipated to lead to the return of Wellington Weir to a potable condition within a three year time frame. The GHG credit from this project is calculated to be 480,000 tonnes per annum. This is based on a future sustainable yield of 80GL per annum from Wellington Weir calculated by the Waters and Rivers Commission and the equivalent amount of water passing through the proposed Kwinana desalination plant. While Griffin can facilitate this commitment, and must do so for it to proceed, Water and Rivers Commission are the project sponsors. Division of the resulting GHG benefits are yet to be determined between the parties.

Griffin is developing a Sustainability Strategy, which will set the framework within which the above projects compete for position in respect to the overall business direction of the companies in the group. This approach will not only address the sustainability concepts related to the protection of biodiversity and rehabilitation of the environment, but it will also address other principles of sustainability including social and economic aspects. This document is due to be released early in 2005.

Griffin's GHG Management Plan will trade GHG credits and debits within the group, allowing for maximum efficiency of the Plan.

Griffin Energy believes that its approach is an economic and sustainable response which aims to mitigate the greenhouse impact of Bluewaters and our PP2 proposals within the integrated framework of the diverse group of companies that make up the Griffin Group. It also represents a commitment to further delineate the understanding of the role of offsets and sustainability, which is acknowledged by most stakeholders to be in its early stages of adoption and implementation by the wider community.

I trust we have, through these commitments, captured the principles and intent of the EPA and government foreshadowed by the policy and position papers described above.

Should you have any queries on our undertakings, please contact myself or our Environmental Manager, Mr Harry Goff on 08 9261 2804.

Yours sincerely

Wayne R. Trumble
Executive General Manager – Power Generation

CC: Warren Tacey, EPA