

IPL's position on climate change

IPL manufactures, markets and distributes a range of industrial explosives, fertilisers, related products and services to customers around the world. IPL's products play an essential role in unlocking the world's natural resources through increasing the yields of food and fibre, and accessing the minerals and aggregates required for infrastructure and energy needs. IPL employs approximately 4,800 people globally, including around 1,800 in Australia.

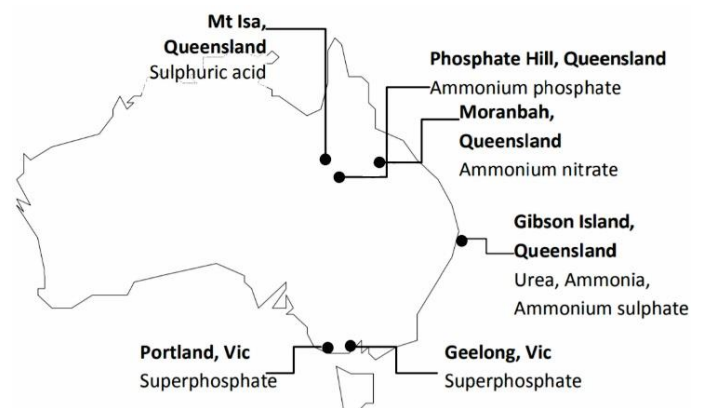
IPL acknowledges the mainstream scientific direction on the existence of climate change, and therefore the need to manage the associated impacts. IPL will continue to develop ways to reduce its impact on the environment. In the U.S., IPL's Waggaman, Louisiana plant (construction of which was completed in 2016) is among the most efficient plants of its kind in the world, minimising both energy use and the resulting greenhouse gas emissions. In Australia, IPL continues to work with the Australian Federal Government on energy and carbon policy to ensure favourable outcomes for both business and the environment and believes that emissions reductions can be made while focusing on energy pricing and reliability.

During 2018, IPL included as part of its integrated risk assessment process, the engagement of an expert third party to complete a comprehensive assessment of IPL's physical and transitional (market-based) risks and opportunities associated with climate change. This assessment was made against two future climate related scenarios: a two-degree and a four-degree scenario, as recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Risks considered to be material are reported under 'Principal Risks' in the IPL Annual Report.

More detailed reporting on climate change related risks and opportunities and the scenarios used to assess these as well as IPL's progress against reduction targets is available in IPL's online annual Sustainability Reports and IPL's 2018 Annual Report.

IPL's position on Australian carbon pricing

While carbon pricing is not one of the current policy instruments being used to achieve GHG reductions in north America, the Australian Safeguard Mechanism currently applies to the industrial/manufacturing sector in Australia. IPL is defined as a large emitter of greenhouse gases under the Australian National Greenhouse and Energy Reporting legislation, owing to the scale and capacity of its manufacturing plants. Over 95% of IPL's greenhouse gas emissions relate directly to nitrogen-based manufacturing facilities, three of which are situated in Australia. These sites currently require natural gas for use as both a feedstock and an energy source for production.



Major manufacturing operations in Australia

As a major onshore Australian manufacturer of explosives, which support Australia's mining industry, and fertilisers which support Australia's agricultural industries, IPL is of strategic importance to Australia's economy, providing not only economic growth and employment, but support for two of Australia's major rural and export industries.

IPL supports the development of a well-considered and appropriately designed national scheme that assists companies to transition to new technologies and reduce emissions while ensuring that Australian industries and manufacturing jobs are not lost to offshore economies. To the extent such scheme includes a carbon pricing scheme, IPL is of the view that:

- Any Australian carbon pricing scheme should recognise the different situations facing companies. Australian businesses at risk of financial disadvantage in the global market include Emissions Intensive Trade Exposed (EITE) manufacturers which produce global commodities. Since commodities prices are set by international markets, these businesses cannot pass on the cost of carbon pricing to customers. Any scheme which lacks assistance for EITE activities will result in Australian businesses being financially disadvantaged in both international and Australian markets in comparison to offshore competitors.
- Any Australian carbon pricing scheme should prevent the offshore migration of jobs, carbon emissions and industries which are strategic to Australia's economy.
- To achieve its aims, any Australian carbon pricing scheme should encourage local sourcing of both energy and products manufactured from Australian resources. IPL manufactures commodities, including explosives and fertilisers, primarily for Australian mining and agricultural customers, using Australian natural gas and employing Australian workers. Continued domestic location of such value chains avoids the increased energy use and emissions associated with the exporting of Australian natural gas and re-importing of the products made from it, as well as the loss of value adding processes to offshore economies.

IPL continues to seek new ways to reduce its impact, further develop innovative products which reduce its customers' impacts, and engage with the Australian Government to find solutions to provide emissions reductions and ensure energy affordability and reliability.

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