APA

Australia's energy infrastructure partner

Rate of return

Roma to Brisbane Pipeline: 2027–32 Access Arrangement Revision Proposal

30 June 2026

1. Rate of return averaging periods

APT Petroleum Pipelines Limited (**RBP**) has applied the AER's 2022 Rate of Return Instrument[1] when determining the allowed rate of return for each regulatory year of the Access Arrangement.

1.1. Rate of return

The rate of return is to be a nominal 'vanilla' weighted average of a rate of return on equity and a rate of return on debt:

$$k_t = k^e \times (1 - G) + k_t^d \times G$$

where:

k_t = rate of return in regulatory year t;

k^e = rate of return on equity for the Access Arrangement period;

k_t^d = rate of return on debt for regulatory year t; and

G = the gearing ratio of 0.6.

1.2. Indicative rate of return on equity

In accordance with clause 4 of the 2022 Rate of Return Instrument, RBP has calculated the rate of return on equity component (k^e) of the rate of return using the asset pricing model:

$$k^e = k^f + \beta \times MRP$$

where:

k^f = risk free rate of return for the Access Arrangement period;

β = allowed equity beta of 0.6; and

MRP = the market risk premium set at 6.2% per annum.

RBP has estimated the risk free rate of return (k^f) as a simple average of the yields on Australian Government Securities with terms to maturity of 10 years over a placeholder averaging period.[2] The estimate of the risk free rate is 5.04%.

Using these values, and the asset pricing model of clause 4 of the Rate of Return Instrument, the indicative rate of return on equity is 8.76%.

Table 1-1: Rate of return on equity

Component		Value
Risk free rate	k^f	5.04%
Beta	β	0.60
Market risk premium	MRP	6.20%
Rate of return on equity	$k^e = k^f + \beta \times MRP$	**8.76%**

[1] AER, 2022 Rate of return Instrument (version 1.2), March 2024
[2] 20 business days commencing 10 April 2026.

1.3. Indicative rate of return on debt

The return on debt in regulatory year t of the access arrangement period (k_t^d) is to be a trailing average of rates of return on debt for a period of 10 years.

RBP has calculated the trailing average for each year of the Access Arrangement, which is to be the allowed rate of return on debt until that allowed rate is updated.[3]

RBP has calculated the on-the-day rate of return on debt using data for the placeholder averaging period to be 5.99%.[4] This placeholder value has been used to update the trailing average for each year of the Access Arrangement.

Table 1-2: Trailing average return on debt

Regulatory year	On-the-day rate	Trailing average
2017-18	4.64%	4.64%
2018-19	4.50%	4.62%
2019-20	4.26%	4.58%
2020-21	2.85%	4.41%
2021-22	2.92%	4.23%
2022-23	4.00%	4.17%
2023-24	6.34%	4.34%
2024-25	5.83%	4.46%
2025-26	5.83%	4.58%
2026-27	5.99%	4.72%
2027-28	**5.99%**	**4.85%**
2028-29	**5.99%**	**5.00%**
2029-30	**5.99%**	**5.17%**
2030-31	**5.99%**	**5.49%**
2031-32	**5.99%**	**5.79%**

The trailing average is updated over the subsequent years of the access arrangement period with actual on-the-day rates, so the rate of return on debt will vary from Table 1-2.

1.4. Indicative rate of return

RBP has provided the indicative rate of return for each year of the Access Arrangement in Table 1-3.

Table 1-3: Indicative 2027–32 rate of return

Parameter	Formula	2026–27	2027–28	2028–29	2029–30	2030–31
Return on equity	k^e	8.76%	8.76%	8.76%	8.76%	8.76%
Return on debt	k^d	4.85%	5.00%	5.17%	5.49%	5.79%
Gearing ratio	G	60%	60%	60%	60%	60%
Rate of return	$k = k^e \times (1-G) + k^d \times G$	**6.41%**	**6.50%**	**6.61%**	**6.80%**	**6.98%**

[3] See s10 to s22 of the AER 2022 Rate of Return Instrument

[4] 20 business days commencing 2 February 2026.