

**BABCOCK & BROWN
ENVIRONMENTAL INVESTMENTS**

Babcock & Brown Environmental Investments Limited · ABN 77 074 226 065
Level 39 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia
T +61 2 9229 1800 · F +61 2 9235 3496 · www.bbeil.com.au



ASX Release

18 July 2006

NFAL business outlook unchanged following recent Fuel Tax Act

Natural Fuels Australia (NFAL) which is 50% owned by BEI is constructing a bio-diesel plant in Darwin, Australia. On 28 June 2006 the Fuel Tax Act 2006 was passed by the Australian Federal Parliament. Whilst there may be some implications for bio-diesel that does not meet the mineral diesel standard the NFAL and BEI business outlook is unchanged.

The Fuel Tax Act is intended to simplify the fuel taxation system in Australia and provide tax relief for business and off-road commercial applications. There has been some perception that the Act is disadvantageous to the bio-diesel industry. The main reason for this is that effective 1 July 2006 for a business user to obtain a full excise credit on bio-diesel/diesel blends the fuel must meet the mineral diesel standard. If it does not meet the standard the user cannot claim a full credit on the blend, and can only claim the excise paid on the mineral diesel component of the blend, thereby disadvantaging the bio-diesel seller/producer.

From the outset NFAL's business strategy has been focused on producing high quality outputs. For this reason the choice of virgin vegetable oil as feedstock and the utilisation of proven Lurgi technology were fundamental to the production of bio-diesel of sufficient quality to meet the Cleaner Fuels Grant. NFAL expects that the bio-diesel it produces will be sold in blends which will meet the mineral diesel standard.

The high quality outputs from the NFAL process and the co-location of the plant at an existing fuel terminal are expected to underpin demand for NFAL bio-diesel. As a consequence there is not expected to be an adverse change in NFAL's business outlook as a result of the recent legislation. Construction of the Darwin facility continues with completion expected on schedule in September 2006 with commissioning to follow in October 2006.

ENDS

Further information:

Gary Levin

Elizabeth Hawke

Phone: (02) 9229 1800

Phone: (02) 9229 1800

BABCOCK & BROWN ENVIRONMENTAL INVESTMENTS

About Babcock & Brown Environmental Investments

Babcock & Brown Environmental Investments (BEI) is an investment vehicle focused on the renewables sector which provides investors with access to a diversified portfolio of high-quality environmentally-friendly assets.

BEI has a strategic alliance with Babcock & Brown, a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown have a long history of experience in the renewable energy field.

BEI is listed on the Australian Stock Exchange and has a market capitalisation of approximately A\$300 million.

For further information please visit our website <http://www.bbeil.com.au>.