

**Submission to the senate enquiry
into the closure of the
Hazelwood and Yallourn power stations**

Background

The Next Economy (TNE) supports regional areas across Australia by developing strategies to manage economic change. This work includes identifying ways to manage industries undergoing transformation, with a key focus on how regions can manage changes in the energy sector for long-term economic prosperity.

TNE has a history of working to diversify the economy of regions with a high level of dependence on fossil fuel use for electricity generation or export revenue. This included running and attending a series of community forums and industry meetings in the Latrobe Valley from 2015-2017 in the period surrounding the closure of the Hazelwood Power Station. We have also supported communities with economic planning and strategy development in the Hunter Valley in New South Wales, Western Australia, the Northern Territory and across Queensland to explore the economic opportunities in managing change in the energy sector. We have also advised some of Australia's largest electricity generators.

Section 1 Hazelwood Power Station: Economic impacts and recovery

a. *Impact of the closure of the Hazelwood Power Station on the economy and jobs of the Latrobe Valley, and the success or otherwise of economic recovery efforts to date*

i. Government support has minimised job loss but an increased accountability for power station owners is required

The short closure notice period of just five months by the owners of Hazelwood Power Station created challenges for the local community, business and government. There was a loss of 400 full time and 300 contract jobs. However, the outcome in the four years since closing has not been as bad as some had feared (Melbourne Climate Futures, 2021). A \$16.5 million 'economic growth zone' investment has been one of the positive outcomes with the initiative creating 680 full-time and 200 part-time jobs and 70 apprenticeships. This reinforces the need for government support to help workers transition in the wake of power station and mine closures.

However, mechanisms need to be in place to hold the mine owners to account for retraining and redeployment along with early retirement options. The Next Economy agrees with the Victorian Trades Hall Council position that long term planning is required for workforce transition between workers, unions and governments. We support a job transfer scheme between those power stations that are closing and yet-to-close, prioritising re-employment for those made redundant. Processes are needed to guarantee job transfers and training in new energy sector jobs including offshore wind, solar, hydrogen and site rehabilitation. There needs to be a reassurance that all elements of the plan are implemented, and this is where the LaTrobe Valley Transition Authority (LVA) can play an important role (outlined in section three).

ii. Promote a diverse economic framework for the region for long term prosperity

Concerted and government supported efforts to diversify the regional economy by building on the strengths of existing sectors and attracting investment to build new industries is key to generating alternative sources of employment for workers in the local community. A good example in the Latrobe Valley was the Latrobe Valley Home Energy Upgrade Program, a \$5 million Victorian Government solar and energy efficiency initiative. The program provided alternative forms of employment through assessments and delivering energy upgrades to up to 1000 households in the region in 2018. Other positive initiatives have included upgrading the rail line to enable easier

commuting between the Valley and Melbourne, the development of the Latrobe Health Innovation Zone and support for the development of a Renewable Energy Industrial Precinct to support further manufacturing initiatives like the Earthworker Energy Manufacturing Cooperative.

New development and economic opportunities for the Latrobe Valley should build on the industrial heritage, skills and infrastructure, but these need to be environmentally responsible and provide people with reasonable pay and conditions and long-term prospects. A report released in October 2021 jointly commissioned by WWF, ACF, ACTU and BCA finds that Clean Exports are predicted to add 395,000 jobs to Australia's economy by 2040. This has been mirrored in the United States where those working in solar industry now outstrip the coal industry and the US Bureau of Labor Statistics forecasts wind technician and solar installers to be America's two fastest growing jobs this decade (Climate Reality, 2020).

Manufacturing and processing jobs to produce much needed products including green hydrogen, electric vehicles, solar hot water systems and renewable energy parts such as wind turbines are well suited to the industrial capacity and workforce of the Latrobe Valley region. But as the experience of the SEA Electric vehicle manufacturer unfortunately demonstrated, government needs to be able to respond nimbly to capture and support the development of new industries.

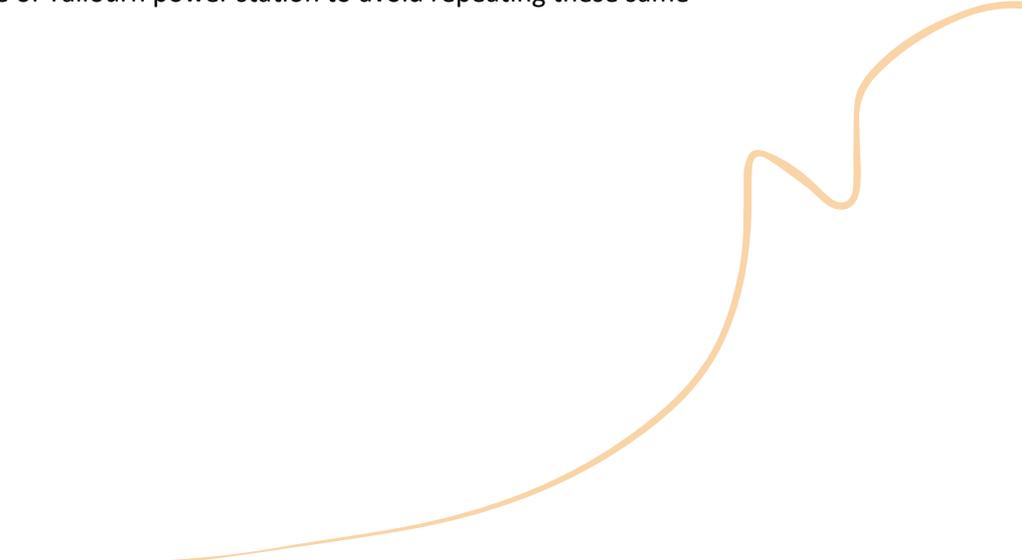
According to Upper Hunter Futures (Insights for Policy from Local Perspectives, June 2021 report), new industries are unlikely to be able to compete with the coal mining sector on wages and as a result non-wage benefits could be worth considering. Economic diversification may support more diverse benefits, for example salary packaging, flexible work hours and a move away from shift work, to offer a better work-life balance.

iii. The process of rehabilitation of mine sites needs to be improved

The decommissioning and rehabilitation of Hazelwood has created ongoing jobs for some workers but there are no long-term prospects for the community, and it is disputed about how well this has been done. It is the responsibility of companies to conduct proper regeneration and rehabilitation work, and the government needs to hold the companies accountable to agreed remediation. The government has created a Latrobe Valley Regional Rehabilitation Strategy to review potential impacts of filling the mine void with water to create pit lakes, but it is critical that engagement with the community and other key stakeholders is conducted.

According to Dr Aberle from Environment Victoria, the mines' owners need to begin considering rehabilitation options which do not involve water and investigate alternate sources of water which could include the use of recycled water from treatment plants or desalination plants.

The Next Economy supports the need for further enquiry into the rehabilitation and environmental impact of mine closures and notes that the Hazelwood owner, Engie, has been issued with groundwater contamination fines from the Environment Protection Authority. This is an important lesson for the upcoming closure of Yallourn power station to avoid repeating these same mistakes.



Section 2: Yallourn Power Station: Economic impacts and opportunities

b. *Expected economic impacts of the proposed closure of Yallourn Power Station in 2028 and options the State Government can pursue to offset the loss of more than 1,000 direct jobs from the plant, as well as associated contractors*

i. **Create a best-in-class transition model for Australia and minimise the impact through a transition to renewable powered industries**

Yallourn is uniquely positioned to provide a template for other thermal coal-fired power station closures if this is done well, with adequate time to diversify the economy and transition workers to new opportunities.

The Next Economy acknowledges the need to close mines to transition to a clean energy economy in order to meet State government climate commitments to reach 45-50% below 2005 levels by 2030. We have found that a planned closure with an adequate notice period will accelerate the shift to a zero-carbon economy by supporting a transition that ensures the regional communities reliant on a fossil fuel economy can adapt and thrive in the new economy (Wiseman et al., 2020). The seven-year notice of closure will allow the Regional Transition Authority time to plan adequately with the power station owners and workers of Yallourn coal plant, due to close in 2028. This allows time for job transitioning and plans are already underway by EnergyAustralia to have a battery up and running by 2026 (Renew Economy, 2021).

Victoria needs to have a clear pathway to transition from fossil-fuel generated electricity to seize the opportunity to build innovative, renewable energy powered industries to create local jobs in regional areas and minimise the impact of the loss of jobs from the Yallourn Power Station. Further work needs to be done to improve Victoria's position as a leader in renewables to capitalise on developments around the country (See Diagram 1 below: WWF Renewable Superpower Scorecard). While Victoria was a leader in renewables for many years, it has recently been overtaken by NSW after announcements after the latter announced substantial renewable hydrogen programs to decarbonise the heavy transport and industrial sectors. The lesson for all governments is that remaining a leader requires ongoing ambitious commitments with the necessary policy action and funding support to deliver.

The Australian Energy Market Operator (AEMO) estimates that Australia requires 30-47 gigawatts of renewable energy to be constructed by 2040. There are currently 30 gigawatts of solar and wind projects with planning approval. Bringing these forward with the right policies would deliver 50,000 direct jobs across the country (many in Victoria) and many more indirect jobs (AEMO, 2021).



RENEWABLE SUPERPOWER SCORECARD

Which Government is leading the way in the renewables race?



RENEWABLES NATION

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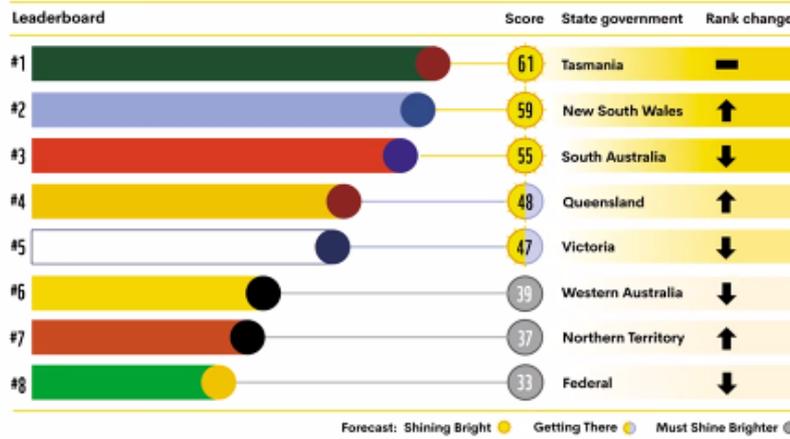


Diagram 1, WWF Renewable SuperPower Scorecard, November 2021

A well-managed transition not only allows the Victorian government to meet state obligations to act on climate change and support new regional jobs, it would also enable energy security, lower cost energy for the state, reduce the cost of maintenance for ageing coal fired plants and lead to a healthier, less polluted environment for the communities of the Latrobe Valley.

ii. Create a greater economic diversification in the region

There are well documented international examples of how economies previously founded on coal have transitioned by diversifying their economy and are now starting to thrive. In Germany for example, the renewable energy industry employed around 334,000 people in 2016 compared to around 160,000 in 2004. However, not all coal workers can, nor will, simply transition to the clean energy sector. Again, looking at Germany, the Ruhr valley region where coordinated efforts established a growing health technology and services health sector that currently employs over 300,000 people (Brauers et al., 2018).

It is the responsibility of the Victorian government to provide the right infrastructure, framework and incentives to attract investment that will ensure the best possible outcomes for workers and communities.

It is also important to ensure that local regions participate in decision making and planning, as found in Ruhr, Germany:

“A struggle during the development of structural policy in the Ruhr area, was to identify the right system of governance to lead the transition. The first large projects initiated on a federal level were ineffective and faced regional and local resistance. Over time, decision-making and planning shifted to a more regional level, to include the endogenous local potentials and to enhance approval of the transition by increasing participation of the stakeholders” (Brauers et al., 2018).

The German experience in the Rhur and research into other cases highlight the imperative to devolve economic planning and decision making to regional stakeholders, so as to build on their existing strengths, assets and industries.

The Latrobe Valley is well placed to develop industries and attract, or incubate, businesses that meet the growing needs of the global transition to zero emissions economies. This transition is occurring across all sectors, hence the diverse opportunities – particularly in the areas of electricity generation, buildings and energy efficiency, land use practices, transport systems, and waste management (circular economy).

Section 3 Role of the Latrobe Valley Authority

- c. Success or otherwise of the Latrobe Valley Authority (LVA) to help the region transition, in light of the decline of funding made available to the LVA over successive State Budgets

i. The LVA plays an important role in the region's short and long-term transition

Experience and research continue to demonstrate that managing changes in the energy sector requires long term planning, vision, coordination and funding. Effective institutions are essential to effective transition. Without a regional authority with a clear mandate to manage change the Latrobe Valley will be left to suffer long term negative social, economic, environmental impacts.

The Next Economy sees the main responsibility of the LVA to work with all relevant stakeholders to strengthen and diversify the Latrobe Valley economy as fossil fuels are phased out and renewable energy expands. It is essential that funding not only continues for the next decade to manage future power stations closures, but is increased to enable LVA to continue to fulfil the important responsibilities it has been focused on for the last five years, including:

Long-Term Regional Planning: Ensuring that all stakeholders can meaningfully engage in decision making processes and in the design of new plans and programs to support decarbonisation processes, and that they remain informed and able to participate as change unfolds over time. This includes all levels of government, traditional owners, industry, workers, education institutions, social services, environment and other community groups.

Energy Security, Stability and Affordability: Coordinate across the relevant agencies, technical experts and industries to manage the phase out of fossil fuels and expand renewable energy technologies to ensure energy security, stability and accessibility. This means not only guaranteeing domestic energy supply but also expanding generation and storage to support the emergence of new industries.

Regional Workforce Support and Planning: Coordinate long term support to workers in fossil fuel industries well in advance of closures, including overseeing the development of training programs, redeployment schemes, income support, and early retirement schemes. This also includes ensuring companies meet their responsibilities to workers in terms of redundancy payments and entitlements and supporting education institutions to train workers in the skills they need for current and future industries.

Latrobe Valley Authority during the 2016 to 2019 period supported 74% of former Hazelwood workforce in employment (or not looking for work) and 90 Hazelwood workers found ongoing work through the employee transfer scheme (Wiseman et al., 2020).

Economic Diversification: Support industry and SMEs to adapt to changes and build on and promote the strengths of the region to attract new investment and jobs. This includes developing markets, supply chains and local procurement policies.

Attracting Investment: Providing a vehicle to attract and channel public, private and philanthropic funds into initiatives designed to reduce negative impacts and build long-term resilience, wellbeing and prosperity across the region.

Infrastructure Planning: Working with industry and government to identify regional infrastructure needs and leverage investment to ensure that new developments benefit the region as a whole. This includes the development of Renewable Energy Industrial Precincts.

Research and Development: Identify and commission research activities and expertise as needed to support decision making processes and develop local technical capacity for emerging industries.

Land and Water Management: Overseeing the decommissioning, rehabilitation and repurposing of power plants and mine sites, as well as liaising with agencies, industries and other stakeholders to ensure healthy land and water resources.

Community Benefits: Mitigating the negative impacts of the transition on the community and ensuring that the benefits are shared widely, particularly with those already economically marginalised such as young people, women, First Nations communities, the long term unemployed, people with disabilities and those from linguistically and culturally diverse backgrounds.

Policy and Regulatory Frameworks: Work with state and federal governments to develop appropriate regulations, policies and targets to manage the decarbonisation process in a way that builds long-term economic resilience.

ii. **Coordinating the transition requires long-term funding**

One of the challenges that has faced the authority has been the short funding timeframes. Significantly more funding will be needed to manage change over the next decade as more power stations close and industry decarbonises. Public investment is crucial to de-risking and attracting private investment in new industries across the region. For this funding to be well-leveraged to attract other forms of investment, the Latrobe Valley Authority needs certainty with longer funding timeframes. The Next Economy recommends that the State Government commits at least guaranteeing operational funding for a minimum of five years, with a commitment to keep the LVA in place for at least another ten years. Guaranteed operational funding would enable the authority to then find and attract other forms of government and private investment for specific projects.

iii. **Guaranteeing a greater level of independence to ensure longevity beyond political cycles**

The current status of the Latrobe Valley Authority as an Administrative Office instead of as a separate Public Entity in the form of a Statutory Authority has left it vulnerable to political interference and short-termism. A greater sense of independence from government, balanced by a clear mandate and public funding to ensure that the LVA continues to work with the State Government will enable much better long-term outcomes for the region.

Thank you for the opportunity to present our submission to the committee. For further information on this submission, please contact Dr Amanda Cahill.

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