

LATROBE CITY COUNCIL SUBMISSION

To The Senate's Environment And Communications References Committee Inquiry Into The Retirement Of Coal-Fired Power Stations

Latrobe City Council expresses its thanks to the Australian Senate's Environment and Communications References Committee to make this submission.

Latrobe City is Victoria's regional centre in Eastern Victoria and has a strong work ethic and history of innovation, especially around engineering, mining and power production. Less than two hours' drive east of Melbourne, Latrobe City is home to approximately 74,000 people, the Gippsland regional population exceeds 250,000 people.

With a Gross Regional Product (GRP) of approximately \$4.1 billion, Latrobe City makes a significant contribution to the Victorian economy. Latrobe City is also home to the state's electricity generation industry, contributing in excess of 90 per cent of Victoria's energy requirements. Electricity generation dominates the economic profile of Latrobe City, accounting for around 21% of Latrobe City Gross Regional Product (GRP).

In response to the questions contained in the request for submissions we advise the following:

(a) the experience of closures of electricity generators and other large industrial assets on workers and communities, both in Australia and overseas;

The Latrobe Valley underwent a difficult structural adjustment process following the privatisation of the electricity sector in Victoria during the 1990's. Significant social and economic impacts were experienced during this time and Latrobe City is hopeful that lessons have been learnt and governments will now have a co-ordinated and comprehensive approach to supporting the region.

The downstream impacts of privatisation were significant and included negative social impacts such as poor burden of disease outcomes, mental health impacts and an increase in the rate of suicide. The post privatisation era saw long periods of poor investment in community infrastructure and planning. These impacts are still fresh in the minds of many of our

community as they face the reality of the closure of Hazelwood.

Following the announcement of the closure of Hazelwood there has been significant level of anxiety being experienced by the Latrobe Valley community. Many of the workers have spent their entire career at the power station and are concerned about the limited employment opportunities locally and the adaptability of their skills when seeking new employment. The community is also concerned about the flow on effects of the closure particularly given the existing high level of unemployment and social disadvantage. Low skilled workers and low income households could be disproportionately affected.

(b) the role that alternative mechanisms can play in alleviating and minimising the economic, social and community costs of large electricity generation and other industrial asset closures, drawing on experiences in Australia and overseas;

New technologies including, but not limited to, Carbon Capture and Storage (CCS) could have a significant impact on the future of coal-fired power generation and should be considered during policy development.

The Intergovernmental Panel on Climate Change, International Energy Agency and other bodies, are confident that CCS is a safe and effective technology that is being successfully applied now at a number of sites. But like other clean energy technologies, the cost of CCS needs to be brought down through innovation, more research and wider deployment. This will require a high level of national and international research collaboration and sustained government and public support.

Latrobe City proposes the establishment of a state, federal and local government committee to oversee the economic transition and diversification of impacted municipalities as well as a commitment to a long term investment effort to ensure that workers are not left behind.

Council also strongly encourages the decentralisation of government agencies to our region to create employment. This strategy has been successfully implemented in Geelong following the decline in the automotive industry.

(c) policy mechanisms to encourage retirement of coal-fired power stations from the National Electricity Market, having regard to:

- (i) the 'Paris Agreement' to keep global warming below 2 degrees Celsius, and ideally below 1.5 degrees Celsius,**
- (ii) the state and expected life span of Australia's coal-fired power plants**
- (iii) the increasing amount of electricity generated by renewable energy and likely future electricity demand,**
- (iv) maintenance of electricity supply, affordability and security, and**
- (v) any other relevant matters;**

The Australian community and industry depend on a secure and affordable electricity supply. For Australian businesses to be competitive in national and global environments affordable electricity is critical and provides a considerable economic advantage. Due to the poor reliability of renewable energy, industry needs access to reliable energy that can only be produced by fossil energy, nuclear or some hydro power.

The recent storms in South Australia demonstrated that energy security is a major risk to our economic certainty. Recently, the Australian Energy Market Operator (AEMO) in its November 2016 Insights publication, considered the effect of Hazelwood power station's closure on the National Electricity Market (NEM). This report concludes that following Hazelwood's closure "the NEM will continue to operate reliably ... however the supply/demand balance will be tighter during times of peak demand." Latrobe City poses the question: *if one power station closing makes the NEM "tighter" what effect would policies encouraging the closure of all coal fired power stations have on the security of reliable national energy?*

Currently there appears to be no policy to encourage retirement of coal-fired power stations from the National Electricity Market and Latrobe City Council believes that a policy is not required. Latrobe City advocates for continued operation of coal-fired power stations, ensuring energy security, and a greater focus should be placed on supporting efficiency and technologies that reduce carbon emissions. After all, our aim should be to reduce carbon dioxide, not coal use.

(d) policy mechanisms to give effect to a just transition for affected workers and communities likely impacted by generator closures, as agreed in the 'Paris Agreement', including:

- (i) mechanisms to ensure minimal community and individual impact from closures, and**
- (ii) mechanisms to attract new investment and jobs in affected regions and communities;**

Latrobe City Council is committed to modelling an inclusive, collaborative approach to expedite the planning, advocacy, development and support of economic diversification within the Latrobe Valley. Council is collaborating with industry and the community to develop a Transition Plan to identify a number of projects to support economic growth, education, liveability, wellness and community connectedness.

It is evident that the Latrobe Valley community will require significant support from all levels of government to diversify the economy, create jobs and avoid significant social crisis. There is a strong need for practical government programs and initiatives; for example the recently announced Economic Growth Zone by the Victorian Government.

Education should also be a priority in developing a response to transition affected communities. The investment in education must start with greater investment in the early years of children. Enhanced support is required to ensure adequate literacy outcomes as early as possible to change long term employment and disadvantage outcomes. Adequate support must be given to the region to provide focused educational opportunities and avoid systemic disadvantage and multi generation unemployment.

Consideration needs to also be given to the significant loss of Council revenue from rates in lieu payments from power stations. The closure of Hazelwood will see Council lose \$1.9M with only 5 months' notice.. Council submits that there should be trailing rates in lieu payable for a further period of at least 5 years following the closure.

Significant resources should be allocated to research and development for alternative uses of coal. 16% of the world's brown coal reserves are found in the Latrobe Valley, the coal is low in impurities by world standards and is a valuable resource. The Gippsland Carbon Transition Committee is currently exploring opportunities for fertiliser, hydrogen production and the potential for geo thermal power generation. These initiatives should be further supported through public investment until they realise their potential.

(e) the appropriate role for the Federal Government in respect of the above; and

The Federal Government has an important role to play in setting policy parameters and Latrobe City Council must take a lead in this process. The region is reliant on federal funding to attract investment and growth in the region as well as support for infrastructure and

balanced energy policy.

The challenge today for Council is that the full impacts of a power station closure are not yet known. Council's believes that the Commonwealth and State governments must ensure ongoing sustainable opportunities for employment for transitioning communities. Council's role, as the local elected representative body is to independently work to assist the transition process through the development of employment proposals for Commonwealth and State funding.

(f) any other relevant matters.

Brown Coal in Latrobe Valley

Latrobe City Council and its predecessors have had a long association with open cut brown coal mining. There is an abundance of brown coal spread beneath the Latrobe Valley from Moe in the West through to Rosedale. This brown coal has been utilised for the provision of very affordable electricity for the majority of the residents in Victoria via three large coal mines at Traralgon (AGL Loy Yang), Morwell (Hazelwood) and Newborough (Yallourn).

The Latrobe Valley's brown coal is a natural resource asset of national significance and should be utilised to the nation's economic advantage.

Long term liveability

Latrobe City Council has a strong commitment to the long term liveability of the towns in the Latrobe Valley, and the need to consider liveability as the priority when planning, remediating and designing existing and future coal mines within Latrobe City.

This is particularly relevant for our community who reside and work near coal mines. It is Council's strong belief that the liveability of the Morwell, Newborough and Traralgon must be prioritised over coal extraction when considering remediation plans and the future plans for the extraction of coal from land in the Latrobe Valley. This includes the consideration of:

- Stabilisation of batters and mine walls
- Remediation generally
- Noise and dust reduction; and
- Proximity to existing settlements and residential areas
- Risk of emissions in case of fires

Morwell in particular is immediately adjacent to both the Hazelwood Open Cut and the Yallourn Open Cut and Council is concerned about the effect these activities are taking on the town itself. Council must be involved in the planning for the short, medium and long term remediation of the existing mines and the planning for the use of brown coal in the future in order for it to best manage the growth of the municipality.

This can be achieved through:

- Greater clarity and involvement in coal allocation and mine planning to ensure Council can plan for orderly and safe development of the municipality;
- Prioritisation of the liveability of the Latrobe City towns, over the extraction of brown coal when creating remediation plans for existing mines and allocating any future mining licenses.

Land use policy for coal buffers and overlays should also be reviewed as there is currently no clear policy for uses within these areas. For example, there has been strong interest for intensive agriculture investment within these buffers; however the lack of policy direction has discouraged investment decisions, impacting the ability to attract jobs to the region.