

## **Submission to the Senate Standing committee on Environment and Communications Inquiry into the retirement of coal fired power stations**

**November 2016**

**Voices of the Valley**  
**[www.votv.org.au](http://www.votv.org.au)**

### **Executive Summary**

Voices of the Valley welcomes the opportunity to submit to the Senate Standing Committee on Environment and Communication's inquiry into the retirement of coal fired power stations.

Voices of the Valley (VotV) is a community advocacy group for the Latrobe Valley, Victoria.<sup>1</sup> VotV formed in 2014 during the Hazelwood mine fire at Morwell, Victoria. VotV has played and continues to play a fundamental role in research, lobbying, and promotion of the health, employment and community welfare issues at stake for the Latrobe Valley community in the wake of the 2014 fire and the recently announced closure of the Hazelwood power station at Morwell.

As a community group that advocates on behalf of Latrobe Valley residents, VotV has collected anecdotal and professional research regarding the impact of coal fired power stations on its community.

It is accepted that climate change, specifically the impact of global warming, will have adverse consequences for the environmental stability of the planet. It is also accepted that anthropocentric activities, such as burning fossil fuels like coal for energy production, is a major contributor to climate change. Moreover there are negative intergenerational impacts on humans who live and work in or around the coal-fired power industry whether mining, transportation, or power production. The retirement of power stations such as Hazelwood is a step in the right direction to address and potentially halt the warming of the planet's temperature above 2 degrees Celsius. However it creates very serious socio-economic problems for the communities that have relied on these industries as their primary employment and economic source.

### **Key policy recommendations:**

- Climate change needs to be addressed in a non-partisan manner and its mitigation treated as an immediate priority across all government levels.
- Transition of communities who generate coal-fired power is a long-term process that transcends political cycles and this needs to be reflected in policy and governmental decision-making.

---

<sup>1</sup> <http://www.votv.org.au/about>

<sup>2</sup> <http://hazelwoodinquiry.vic.gov.au/201516-report/volume-iv-mine-rehabilitation/index.html>.

- Communities that have relied on coal fired power stations as their primary local industry need to be engaged immediately to commence long-term strategic planning for the transition from this industry.
- Planning for new industries in affected communities needs to be proactive rather than reactive in the wake of closure/retirement announcements.
- Policy must identify the needs and new industry opportunities available to the communities that will be most directly affected by power station retirement as these will be unique to each region.
- Long-term and well-resourced research into new forms of energy production is essential for the development of innovative and clean electricity supply, and needs to consider energy from an end-to-end perspective to include the end-of-life aspect of energy production.
- Regulations need to be altered to allow communities to establish their own means of energy production and energy retailers.
- Transition for communities needs legal weight to ensure the support communities receive is secured; thus legislative mechanisms are more appropriate than policy mechanisms.

### **Impact of coal-fired power generation on Australian communities**

For communities such as the Latrobe Valley, the impact of the retirement of coal-fired power stations needs to be placed in an historical context. The Latrobe Valley community has been producing coal-fired power to Victoria since the early twentieth century. When the power industry was privatised in Victoria in the 1990s, the socio-economic effects were disastrous: approximately 17,000 jobs were lost, workers were given lump-sum payments without financial management support, training and education opportunities for apprentices were lost. The community was assured by the Victorian government, at the time, that other industries would be attracted to the skilled workforce and set up new employment and training opportunities, however this did not occur. Since privatisation the Latrobe Valley community has suffered from high unemployment, high rates of drug and alcohol abuse, and high levels of mental illness. The legacy of privatisation has been that it took away the “jobs for life” prospects the Latrobe Valley was accustomed to, and removed hope for the future of the community and its prospects of rebuilding the healthy, dynamic community it once was. The community was displaced in place without any governmental support and with extremely limited access to education, resources, and skilled means to develop new industries.

Whilst the retirement of coal-fired power stations is different to privatisation, the impact of job and industry loss is similar and absolutely cannot be repeated.

The retirement of the Hazelwood power station in March 2017 will see some 750 jobs lost in an already suffering community. The impact of this job loss in an area with an extant high unemployment rate will be felt across the entire community, from the families who have lost their source of income to the surrounding businesses and services that these workers and their families patronise.

However, the announcement of the retirement of the Hazelwood power station is a unique opportunity for the community, with the assistance of State and federal governments, to demonstrate how such communities can transition from coal-fired power generation to cleaner forms of energy production that foster intergenerational employment and training opportunities. The renewable energy sector is as dynamic as it is diverse, and government-level or government-supported research into this sector is fundamental to the transition process as more coal-fired power stations are retired in Australia.

Communities that are most directly impacted by the retirement of coal-fired power stations are those that have relied on the coal industry as the primary local industry. These communities should be engaged with by State and federal governments to plan for the transition away from reliance on coal fired power stations as a major source of employment and local economic stability. Using the Latrobe Valley as an example, the announcement of the closure of Hazelwood by its owner Engie was made without a transition plan in place for the Latrobe Valley community. Instead, both State and federal government response has been reactive despite the knowledge that the closure announcement was imminent. Governments at both State and federal levels need to be proactive in transitioning such communities well before the retirement of these power stations are announced. Long-term, non-partisan action is required across all government levels to support and encourage communities such as the Latrobe Valley to develop and implement plans that foster long-term employment, education opportunities, re-training opportunities, hope and excitement for the community as it shifts from its traditional industry to a new one.

The communities that have operated coal fired power stations are best placed within Australia to help develop and implement new sources of energy production. These communities know electricity better than anyone else, and it is these communities that should be supported to drive the new energy production industries in Australia. Transition away from coal-fired power stations is a long-term process that transcends political cycles and will affect millions of Australians. Therefore any mechanisms that are created need to be binding on the Australian government so that the communities that will be most directly impacted on feel secure that their futures are supported.

### **Mechanisms to encourage electricity generated by renewable energy and likely future electricity demand**

There are already incentives that encourage the generation of renewable energy in Australia. The steady take-up of solar panels is increasing across the country as a viable alternative to power generation. Government policy should encourage and support this.

Community-owned energy retailers, in conjunction with community-owned power generation, is a viable option to encourage electricity generation and meets the demand for electricity across the country. Power that is generated and owned by

communities will create a trade surplus to the community and to the national grid, rather than have power consumers buy power back at inflated prices.

Policy needs to encourage more distributed harvesting means of energy production (for example, solar and wind), and dispersed energy storage localities (for example at substations that already exist). This can include the establishment of community-owned, operated and maintained solar and/or wind farms combined with the legislative mechanisms to trade surplus energy generated from these farms to the national electricity grid and/or stored effectively for use by either the national grid or the community that has generated the power.

Community-owned energy retailers would play a vital role in this new energy market. Currently the laws that govern energy retail do not facilitate community ownership of energy retail, and this needs to be changed. The more that communities can take ownership of power generation and sale, the more competitive the energy market in Australia will become. Moreover the energy market and its associated assets will be Australian owned and protected by the communities that make and sell electricity. This removes the precarious position that currently faces communities that produce power because they are often beholden to international corporations whose first duty is to their shareholders, not to the communities in which they carry out their activities.

#### **Mechanisms to maintain the electricity supply, affordability and security of new sources of energy production**

The first step in developing mechanisms to maintain electricity supply in the wake of retirement of coal-fired power stations is to provide resources for long-term, ongoing research into new forms of energy production. This includes long-term research into those forms of renewable energy production and energy storage that currently exists, such as solar and wind power generation and battery storage. Australia needs to facilitate and be adaptable to new forms of energy production. This includes the ability of both local and national electricity grids to support distributed energy harvesting, sustainable storage facilities for surplus power, and investment in the exploration, viability and development of electricity and grid security. Without a commitment by the federal government to invest in long-term, non-partisan, well-resourced research as a starting point it will be difficult for Australia to transition away from coal-fired power stations to renewable sources of energy production.

As a matter of policy, a review of the capacity of the national electricity grid should be undertaken because it needs to be restructured to deal with distributed energy harvesting. As an example, virtual power station operation depends on the capacity of the grid to receive power but also requires appropriate software to manage it. No aspect of the development of renewable sources of energy production can be conducted without ongoing, well-resourced research that examines all possibilities in a holistic manner from production to grid-supply to retail.

The maintenance of electricity supply is dependent on the form of electricity generation. This will potentially be as diverse as means in which the power is generated, and may integrate with other forms of power generation including that power generated from extant operating coal-fired power stations before they are phased out. Integration of these systems is fundamental to maintaining electricity supply, and the development of the integration of these systems should be a driving force behind policy development.

Key to securing energy supply that comes from renewable sources of energy is that the storage system is ecologically and economically sustainable. Electricity storage needs to be properly costed so that it includes end-of-life costing that takes into consideration the disposal aspect of storage, not just installation and maintenance. The ecological and economic cost of coal-fired energy production has not been effectively taken into account, neglecting the immediate and long-term health impacts of coal-fired power generation. Whilst companies are required to pay rehabilitation bonds, the Hazelwood mine fire inquiry demonstrated how inadequate current bonds are.<sup>2</sup> This mistake cannot be repeated with the transition to renewable sources of every production, maintenance and storage. Policy needs to address whole-life impacts of renewable energy sources that considers end-of-life storage facility and how to safely dispose of waste products.

### **Mechanisms to ensure minimal community and individual impact from closures**

The retirement of coal-fired power stations is a matter of time, particularly where these stations have not been maintained appropriately throughout their life-span as was the case with the Hazelwood power station in Morwell. It is paramount, then, that planning for the closure of these power stations is commenced immediately. The example of Hazelwood demonstrates that although the Latrobe Valley community and the Victorian government were aware that Hazelwood would be imminently retired, there was no proactive response to this knowledge. What has happened in the Latrobe Valley has been a reactive response by both State and federal governments to assist the community as one of its major sources of employment is removed.

What is required is non-partisan governmental supports program to communities such as the Latrobe Valley to engage and assist these communities to create a realistic and pragmatic transition plan that generates new energy industries, employment and training opportunities, and empowers communities to take control of how they want to create their future. This governmental response needs to legitimately support such communities and be specifically tailored to the unique needs and opportunities of these communities. Planning needs to be long-term, financial assistance needs to be provided and responsibly managed, and policy mechanisms need to ensure that successive governments do not remove the support that is given to these communities. In this sense, then, it is more appropriate that legal weight is given to transition plans in the form of, for example, State

---

<sup>2</sup> <http://hazelwoodinquiry.vic.gov.au/201516-report/volume-iv-mine-rehabilitation/index.html>.

Environment Planning Policies or procedures for transition embedded into State and federal planning and development legislation. This approach will garner a sense of security within communities that will be forced to transition from coal-fired power industries. It is not enough that transition mechanisms should be government policy, it needs to be law.

Communities should be empowered, supported and encouraged to establish localised energy transition hubs that identify the development of new energy production opportunities, skills training and re-training, and redeployment of the workforce in to new energy production sectors. These transition hubs will identify and create long-term plans for aspects of transition includes, but are by no means limited to, the following:

- Social and worker support facilities;
- Educational facilities and education opportunities (TAFE, tertiary, outreach) in existing educational institutions in the region;
- Support for incubator and manufacturing spaces for community owned power co-operatives, new energy industry start-ups, and new energy industry social enterprises driven by community members not outside investors, but certainly in conjunction with outside investors should the opportunity be something the community requires and is enthusiastic for;
- High-level research into new energy technologies, for example, energy storage, conditioning and production;
- Research facilities to explore, develop, design and implement renewable energy technologies.

The model that VotV envisages for a transition hub can be represented as such:<sup>3</sup>



<sup>3</sup> For more information on the VotV transition plan see: <http://www.votv.org.au/transition>

Presently, state and federal legislative regimes do not support the establishment of community cooperative energy retail projects, or community-owned energy retailers. This legislation needs to be amended to encourage and facilitate community owned energy cooperative and retailers. For too long communities such as the Latrobe Valley have been beholden to international corporations that own power stations. With the threat of job-loss or closure ever-present, and with the reality of providing a source of income for their families, such communities have felt powerless or unable to develop their own means to generate power for the Australian community. When communities develop and own their industries they are motivated to work hard to ensure the survival and development of these industries in to the future. If legislation is altered to facilitate this, and communities are able to own and operate energy production, the reliance on international markets is removed, the economic benefits to the community and to Australia generally will develop, and energy can be reliably produced in a way that facilitates hope and inter-generational employment and training opportunities. The economic flow-on from this to the broader community is obvious.

#### **Attracting new investment and jobs in affected regions and communities**

Every community that relies on coal-fired power stations as their major or significant industry is unique. It is paramount, then, that the needs and opportunities that face these communities are identified in the immediate future to commence the transition process.

It is vital that the community plays a direct role in identifying the needs and opportunities of their localities, and are empowered to develop their own means to reduce the negative impact of transition away from the coal-fired power industry. Governments and both state and federal level need to engage with community members – not just business groups and local government – to encourage community involvement and generate community ownership of the future of their communities. Transition needs to be created in consultation with the communities that will be most impacted by it, rather than be imposed on them. Moreover it needs to be legitimately beneficial for the community in the long-term and properly implemented. This people-driven, rather than economic-driven, approach to evolving Australia's power industry will create an attractive and viable investment opportunity for investors who want to facilitate the production of new sources of power generation whilst seeing long-term financial returns.

As these communities develop their own ideas and develop business models to bring these ideas to fruition, and are backed by government, investors are much more likely to start offering financial support. This is the experience of VotV, who have a transition plan for the Latrobe Valley and who are contacted on a regular basis by businesses and individuals looking to invest in renewable and new energy production. It is well known that the Latrobe Valley has a skilled workforce ready to go, and given that the Latrobe Valley and groups such as VotV have been actively

campaigning for the realisation of their transition plan, investors are ready to come on board. The VotV experience, then, has been that when the community drives its vision for its future, investors are more willing to engage with and want to initiate partnership with the community. This has occurred in the context of the absence of State and federal government planning for the Latrobe Valley. With state and federal government support for communities such as the Latrobe Valley, investors are undoubtedly even more likely to approach communities and partner with them to implement renewable energy production projects and associated employment opportunities.

### **The appropriate role for the Federal Government in respect to the closure of coal-fired power stations**

The federal government has a unique opportunity to support communities that will be directly impacted by the retirement of coal-fired power stations throughout Australia. Moreover, the federal government has a responsibility in ensuring communities that have relied on coal-fired power stations are transitioned away from this industry in a concrete and long-term way. This responsibility is as economic as it is moral: when people are engaged in long-term employment and a region has supportive education and training facilities to maintain intergenerational employment there is less stress on the taxpayer purse and the Australian economy. Thus the responsibility is as much to the Australian taxpayer as it is to the community directly impacted on by power station closure.

As seen with the announcement of the retirement of the Hazelwood power station, the federal government has committed \$43M to Latrobe Valley workers and the community broadly to support transition.<sup>4</sup> This is a good start. However support for the development of employment and industry opportunities should have commenced a long time ago to avoid a reactionary approach to the closure announcement. Therefore it is intrinsic that the federal government be proactive in its role to communities most impacted by the closure of coal-fired power stations.

The role of the federal government in regards to supporting communities through transition includes, but is by no means limited to:

- Planning, coordination and support for local industry, education, training and employment initiatives;
- Directly liaising with communities to ensure a collaborative approach to transition rather than a top-down approach – communities want a say in the development of their future and the federal government should engage meaningfully with them to achieve this;
- Provide relevant skilled personnel to assist with transition development, whether in the development of economic plans and training packages or in training the trainers to develop such services.

---

<sup>4</sup> <http://www.minister.industry.gov.au/ministers/hunt/media-releases/government-support-hazelwood-workers>