



8 November 2016

Committee Secretary

Senate Standing Committee on Environment and Communications
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Committee Secretary,

RE: Submission to Inquiry into Retirement of Coal Fired Power Stations from the Leadership Forum on Energy Transition (the Forum)

As the chair of the Leadership Forum on Energy Transition please find our submission to the Inquiry into retirement of coal fired power stations. The Forum brings together eminent and influential Australians from business, community, ethics, environment, research and academia. Together, we recognise that Australia's current energy production and consumption is a driver of global warming and that a clean energy transition is not only inevitable but essential to Australia's future economy and communities, and to meet our international climate commitments.

Forum members are bound by their concern for the significant dangers and disruptions we are already experiencing and that will worsen as our world continues to warm. Together, they recognise that Australia's current energy production and consumption is a driver of global warming and that a clean energy transition is not only possible, it is necessary to protect Australia from dangerous climate change and provide reliable, secure and affordable energy for all.

On the 7th of November 2016, the forum released an Energy Transition Blueprint which I attach as part of our submission.

The blueprint acknowledges that the transition won't always be easy, but by accepting necessity and acting with speed and clarity, Australia can buffer any negative impact and protect vulnerable businesses and populations.

The blueprint calls for a national plan to establish the rules, policies, regulations, markets and a basis for investment that will power the transition. These principles, and the structures that flow from them, must be enduring if they are to be effective and they must be founded upon the notion of a just, fair transition for workers, businesses and communities. They must set up Australia to prosper from the innovation and services that come with the clean energy transition.

The blueprint recommends eight actions that should form the basis of the national plan to drive a clean energy transition. Implementing these eight actions will put us on a pathway towards the future that we all want, one that secures affordable and reliable energy supplies, cares for workers, communities and our environment and encourages investment by providing greater certainty for business.

Integrate climate and energy policy	Action 1: Update the electricity market to speed a clean energy transition
An orderly and just transition	Action 2: Facilitate and accelerate the inevitable closure of coal-fired power plants Action 3: Accelerate the uptake of clean energy and support new technology Action 4: Create an attractive sustainable investment environment for clean energy Action 5: Ensure just transition for communities and workers Action 6: Protect vulnerable Australians
Pursue complementary reform	Action 7: Increase energy efficiency Action 8: Dramatically reduce transport emissions

Action 2 in the blueprint calls for the facilitation and acceleration of the closure of coal-fired power plants.

The problem as described in the blueprint is that:

Over many decades, Australia has taken advantage of coal as a cheap source of electricity. But by generating so much electricity from coal, we are pumping some 187.5 million tonnes of climate pollution into our skies each year. Electricity generation alone causes around a third of Australia's climate pollution and the dominance of coal makes Australia much more emissions intensive than the United States and the European Union. As well as damaging our climate, burning coal generates pollution which damages our air and harms people's health.

Australia's coal-fired stations are some of the most polluting and least efficient in the world. Our aging fleet uses old, inefficient technology that is well past its use by date; five of our generators are more than 35 years old and one was commissioned way back in 1964. By 2030 nearly half of Australia's existing coal-fired power stations will be 50 years old and the average age of the fleet will be over 40.¹

There is a clear need as outlined in the blueprint for a plan to close coal fired power stations:

To address the problem of Australia's aging electricity plants, reduce Australia's climate pollution and meet the 2°C commitment under the Paris Agreement, it is inevitable that our existing coal-fired operations must close. As a nation, we have an opportunity to decide how and when to close the power stations that have served us for generations.

A considered and orderly plan to retire coal-fired power stations is required, with clear timelines and a smooth and steady process. With leadership and planning, we can ensure Australia's transition away from coal-fired generation is as efficient and smooth as possible. We can attract investment to overhaul every part of the electricity generation and supply chain, which will foster emerging innovation and new technology breakthroughs. We can help coal plant operators phase out their existing assets and invest in assets designed to

¹ Energy Transition Leadership Forum, *Our Energy Future: A plan to transition Australia to clean energy*, p. 21 (Attached to the submission)

*replace them. This will give communities and companies certainty so they can plan for the future and manage the cost of electricity over the long term.*²

The blueprint identifies four barriers to a facilitated transition of coal fired power.

- Australia's climate pollution reduction targets are not ambitious enough;
- there is no market or regulatory incentive to reduce pollution;
- there is little incentive for coal fired power plants to close; and
- the cost of closure is significant.

The blueprint's recommendations on Action 2 are as follows;

Foundational Recommendation:

We call on the federal government to lead the development of a plan to facilitate the phased and controlled closure of coal-fired electricity production that is in line with Australia's commitment to the Paris Agreement.

Complementary Recommendations:

1. Options the federal government could consider as part of the plan to ensure the reliability, affordability and sustainability of Australia's energy supply and address the barriers above, include:
 - A market mechanism for regulated closure of highly emissions intensive power stations;
 - An emissions intensity standard for power stations that tightens over time, ensuring the dirtiest coalfired power stations are closed first; or
 - An age-based regulation that tightens over time, ensuring the oldest coal-fired power stations are closed first.
2. The federal government should convene an expert panel to investigate and report on potential options to facilitate a gradual and systematic phase out of coal fired generation.
3. We also call on state and territory governments to work with the federal government to develop a national plan to phase out coal-fired electricity generation and implement policies that require owners of coal-fired electricity generators and associated mines to post bonds that ensure they can fully fund decommissioning costs and associated mine rehabilitation costs.

Action 5 and 6 are also directly relevant to the committee's terms of reference. Action 5 concerns just transition of affected communities

Coal-fired power stations and associated mines make an important contribution to local economies, so helping people who work in these industries and their communities to adjust to the transition is both crucial and fair. A successful and just transition must ensure communities are given the time and resources to determine their economic future, in consultation with governments. This should include a genuine and honest conversation as early as possible between communities, companies that operate generators and all levels of government. Together, these groups should make regional plans to help communities and

² Energy Transition Leadership Forum, *Our Energy Future: A plan to transition Australia to clean energy*, p. 21 (Attached to the submission)

people who lose their jobs in the transition with appropriate financial resourcing. The plan should be specific for each region and its needs, not 'one size fits all'.³

The blueprint's recommendations on Action 5 are as follows;

Foundational Recommendation:

We call on the federal government to engage with local communities and workers, other levels of government and coal-fired power station operators early and genuinely to establish and fund regionally-based transition plans.

Complementary Recommendations:

1. Regionally based transition plans should include:
 - Transition assistance: The government should provide financial resources to help people retrain and, if necessary, relocate. These resources should be used to leverage extra financial resources from other levels of government and from industry.
 - Economic diversification: The government should accelerate new industry enabling investments for regions affected by coal closure years before coalfired power stations are scheduled to close; this will also support the expansion and consolidation of existing industries in communities. This provides alternative employment and gives people the opportunity to re-imagine the identity of their community when it has been entwined with coal.
 - Community collaboration: Industry restructuring and transition is a complex problem requiring input from all stakeholders including workers, community representatives, unions, industry and government. The government should also maintain ongoing support for community services and functions.
2. We call on the federal government to establish an independent body to represent the interests of consumers, communities and workers in the discussion and development of transition plans.

Action 6 makes it clear that support for vulnerable Australians is needed for a fair transition.

We need to limit the impact of further price rises by helping people use energy more efficiently. This includes introducing efficiency programs for people on low incomes, including requiring minimum energy efficiency standards for rental properties, to make sure renters can manage their energy use more efficiently. Existing social housing stock should be retrofitted to ensure it is energy efficient. The government should also make sure people with low incomes are appropriately protected and benefit from electricity tariff reform. Higher per unit prices for wholesale electricity do not have to equal higher total power bills.⁴

The blueprint's recommendations on Action 6 are as follows

Foundational Recommendation:

³ Energy Transition Leadership Forum, *Our Energy Future: A plan to transition Australia to clean energy*, p. 33

⁴ Energy Transition Leadership Forum, *Our Energy Future: A plan to transition Australia to clean energy*, p. 37

We call on federal and state governments to help people with low incomes adjust to the energy transition.

Complementary Recommendations:

1. Set regulated minimum energy efficiency standards for social and private rental housing;
2. Increase funding for household energy efficiency schemes that give low income residents and landlords access to grants or discount finance to invest in energy efficiency improvement and clean technology;
3. Help people with low incomes to adjust to the energy transition by providing additional financial assistance where necessary.

The committee may also find other part of the blueprint useful in the inquiry process. The blueprint and the list of members of the forum is attached.

If you have any further questions, please don't hesitate to contact forum secretary Matthew Rose on [REDACTED]

With my best wishes,

Yours sincerely,

[REDACTED]

Professor Ian Jacobs
President and Vice-Chancellor
UNSW Australia

Membership:

Professor Ian Jacobs (Chair)	President and Vice-Chancellor, UNSW Australia
Mr Geoffrey Cousins AM	President, Australian Conservation Foundation
Ms Maria Atkinson AM	Co-founder of Green Building Council of Australia and board member, Australian Renewable Energy Agency
Ms Jillian Broadbent AO	Chair, Clean Energy Finance Corporation and Swiss RE Life and Health Australia
Mr Mark Burrows AO	Global investment banking and capital markets expert
Dame Quentin Bryce AD CVO	Former Governor-General of Australia
Professor Merlin Crossley	Deputy Vice-Chancellor, UNSW
Mr Miles George	Managing Director, Infigen Energy and Chair, Clean Energy Council
Dr Simon Longstaff AO	Executive Director, The Ethics Centre
Mr Alex Malley FCPA	CEO, CPA Australia
Ms Sam Mostyn	Chair, Australian Council of International Development and Citibank Australia, board member of Virgin Australia, Mirvac, Transurban and Cover-More
Ms Indira Naidoo	Journalist, TV presenter and author
Ms Kelly O'Shanassy	CEO, Australian Conservation Foundation
Ms Anna Skarbek	CEO, ClimateWorks Australia
Mr David Thodey	Chair, CSIRO and former CEO of Telstra
Mr Andrew Vesey	CEO, AGL Energy
Mr Martijn Wilder AM	Partner, Baker and McKenzie and Chair, Australia Renewable Energy Agency and board member, Clean Energy Finance Corporation