

Questions on notice

Australian Worker's Union

Australia's manufacturing industry – Senate Economics References Committee

The very first recommendation in your submission was for the federal government to “urgently consult with industry to identify all parts of a resilient Australian supply chain”. You’ve suggested several measures to secure Australia’s sovereign capability from disruptions, including building Australia’s economic complexity, better targeting strategic procurement, and cooperating with regional partners to ensure continued supply during disruptions.

Q. Can you expand on the future supply chain risks that you think could be particularly disruptive from a sovereign capability?

Many supply chain risks are not ‘future’ concerns – they are already emerging and causing havoc. The most recent example is the shortage of urea, synthesised from natural gas. Self-serving action by China and Russia have limited traditional import supplies for Australia, leading to shortages in both fertiliser and diesel exhaust fluid AdBlue. Australia’s only facility that manufactures AdBlue, Incitec Pivot, has announced that they will end production at the end of 2022, in response to an inability to obtain affordable gas. The consequences of not being able to access fertilizer, or to safely operate diesel vehicles from utes to big rigs, are dire and will flow on to consumers through the prices paid for goods and services.

Beyond this present risk, Australia is also particularly dependent on imported steel, aluminium and copper. In the event that exports were restricted, the construction sector would face delays and cost rises with the potential for catastrophe.

Q. What would you like to see the federal government do to enable that expanding of Australia’s economic complexity, particularly with regards to the role that Australian raw materials suppliers play in supply chains?

The first step that should be taken by the Australian Government is to develop programs to incrementally undertake more processing and manufacture from minerals here. The CSIRO’s report with the Future Battery Industries CRC in 2020, for example, recognised the most promising battery industry as anode and cathode precursor manufacture. The Australian Government has not set out policies targeted at specific industries, instead relying on underwhelming catch-all initiatives such as the Office of Supply Chain Resilience. We would recommend the Government establish industry policy with funding to grow existing suppliers into greater value-add roles.

The Australian Workers Union has long been in support of a domestic gas reservation strategy to support manufacturing. It’s no surprise that global gas prices have increased quite substantially in recent months, and forecasts suggest that there are global drivers that are likely to see prices remain quite high for some time.

Q. Can you share with this Committee why you view the current Australian Domestic Gas Security Mechanism as insufficient? Or is it simply a case of the government not being willing to pull the trigger?

The Government has stated its unwillingness to pull the ADGSM trigger on the basis that there is not a shortage of available gas – but with players like Incitec Pivot being priced out of the market, there is an effective supply shortage of affordable gas for manufacturers. The requirement of the legislated trigger being used in advance of a calendar shortfall year also reduces its flexibility to respond to unanticipated shortages.

A domestic gas reservation scheme is only as useful as the amount of gas that can be produced domestically. But state governments of both types seem hesitant to expand gas extraction further. NSW in September this year banned exploration in a further 16 LGAs, taking the total reduction in gas exploration areas to 77% under the NSW Liberal Government.

Q. What role do you see for the Commonwealth Government in helping state and territory governments to overcome their fear of political blow-back, and to get on with the critical job of gas extraction, particularly given the unlikelihood that we'll be able to revive manufacturing without access to cheap gas.

The AWU cautiously welcomed the New South Wales' government's commitment to the 'Future of Gas', but is concerned about the excessive nature of blanket moratoriums on gas extraction in the State and across the country. While it takes a considerable amount of time and effort to manage community expectations around future gas developments, a moratorium is an excessive blanket ban on gas development. The technical debate about fracking is over – onshore gas development continues to take place safely around the world with all environmental and safety impacts managed. This was the conclusion of the NSW Chief Scientist in her independent inquiry into the sector, as well as those undertaken in other states and territories. Leaving the door open to gas development in the Liverpool Plains, and other parts of the state, will ensure that New South Wales will support its own workers in meeting its energy requirements in the decade going forward.

Queensland's GasFields Commission provides an example of an effective institution to manage stakeholder expectations, and provide a trusted view of the evidence independent from industry or regulators.. Established in 2013, the Commission has a legislated role in:

- facilitating better relationships between landholders, regional communities and the onshore gas industry
- reviewing regulatory frameworks and advising governments about regulation, implementation and coexistence of gas and agricultural activity
- bringing landholders, regional communities and industry together to resolve disputes
- publishing information about the industry.

Your submission has called for a Cooperative Research Centre (CRC) for Sustainable Manufacturing Clusters, and has argued that this could be used to help operationalise the use of hydrogen domestically. This suggestion has also been put by the ACTU. With other countries moving quickly in this space, there is a need to expand quickly to ensure that Australia is able to capture market share.

Q. Do you have any thoughts on whether we should shoot for green hydrogen from day one, with a potentially slower roll-out? Or should we be willing to entertain some gas initially to rapidly ramp up production, but at the risk of not finding export markets willing to take hydrogen that is higher emissions than our competitors?

Both 'blue' and 'green' hydrogen are likely to form part of Australia's hydrogen production and global hydrogen demand in the future, according to the International Energy Agency. The focus should be on technology-neutral solutions that reduce, if not eliminate, emissions. Provided that carbon capture and storage is cost-competitive, there is no practical difference between 'blue' and 'green' hydrogen from an environmental or commercial standpoint.