

SENATE ENQUIRY INTO THE RETIREMENT OF COAL-FIRED POWER STATIONS
A submission by THE VICTORIAN DIVISION OF THE NATIONAL TERTIARY
EDUCATION UNION

Author: Dr Colin Long, Victorian Secretary, NTEU.

A. INTRODUCTION

1. The announcement of the imminent closure of Hazelwood power station is a timely wake-up call to Australian governments and to the Australian people. Many organisations have been warning of the likelihood of closure for years, if not for environmental reasons then because of the imperatives of the plant's private owners. Despite these warnings, and despite the devastation wrought on the Latrobe Valley community during the previous great restructuring of the region's best-known industry after privatisation, little planning has been done to deal with the substantial impacts that will flow from Hazelwood's closure. As a result, the local community is understandably worried about the future, and sceptical about government promises.

2. The growing awareness of the threat posed by climate change, and the international efforts now being made to reduce greenhouse gas emissions make it inevitable that Australia's coal-fired power stations will eventually close. Despite this, the typical approach of governments, and many organisations with an interest in the matter, has been to either pretend that the inevitable will not be so, or to leave it up to "the market" to decide, the latter strategy, of course, being a means of politicians avoiding responsibility to act.

3. As a result, there has simply been no proper planning for Hazelwood's closure. If current attitudes and approaches continue, we are likely to see a further two decades of chaotic, unplanned closures, with, nevertheless entirely predictable results – displaced workers, increased unemployment, and damaged communities. The refusal to acknowledge the inevitability of coal plant closures may be clothed in words of concern about the industry's workers, but it is ultimately guaranteed to do them much more damage than a recognition of the need to transition our electricity generation away from coal and to plan for it accordingly.

4. Thus, the first recommendation of the Enquiry must be a commitment and a timetable for the phase out of all coal fired power stations. This does not mean waiting to see what happens, or what other countries decide to do, or waiting for a "market-led energy transformation". A clear timetable will assist with planning for transition and with focusing everyone's minds on what needs to be done.

5. The closure of coal-fired power stations and the transition to new forms of economic activity for the regions in which they are situated must be the subject of a national plan that is coordinated with state and local governments. One of the main reasons for this is the fact that electricity generation and distribution is already

managed in a National Electricity Market. Phasing out coal-fired power will have ramifications for the NEM, so must be dealt with in a coordinated national way.

B. MOVING FROM COAL TO RENEWABLES

6. The fundamental requirement for the closure of coal-fired power stations is to ensure that the removal of the energy they generate does not cause problems in the energy supply system. This means two things:

- a) We need to manage and reduce the demand for energy.
- b) We need to ensure that alternative, renewable, sources of energy are able to quickly replace the reduction in coal-fired energy supply.

Thus, in relation to the energy system itself, we need a suite of policies to reduce demand for energy, and to facilitate growth in supply from renewables. Importantly, emission reduction targets must be set according to what is scientifically necessary, not what is politically possible, or economically achievable within the constraints of the current economic policy settings. There are several policies to facilitate the transition away from coal as a fuel for electricity generation:

- a) Removal of all subsidies for coal use.
- b) Pricing of carbon, preferably through a carbon tax, as there is little to no evidence that carbon trading schemes work.
- c) Encouragement for renewables, through enhanced Renewable Energy Targets, preferably at a national level, but if necessary, at a state level.
- d) Good feed-in tariffs for domestic generation of renewable energy.
- e) Direct government investment in large-scale renewable energy projects.
- f) Government support for community renewable energy projects.

C. JUST TRANSITION

7. It is important to see the issue of transition in coal regions as broadly as possible. The number of workers directly employed in coal fired power stations as a proportion of the total regional workforce is relatively low. However, it is acknowledged that the economic contribution made by power stations to regional economies, particularly in the form of wages paid, is substantial: that is, the multiplier effect of power stations is large. Indeed, one of the major issues to be dealt with in managing the transition away from coal-fired power is the disparity between incomes earned by those in the power industry and those in the rest of the economy. Power station workers are, in general, very well paid, although some contractors – especially maintenance contractors – may earn substantially less. The threat of losing good, well-paid jobs in regional economies is, understandably, very concerning. But the structural inequality in the labour market in these regions should have already been a concern. The Latrobe Valley, for instance, has high levels of unemployment, poverty and other forms of social deprivation, while at the same

time supporting relatively small concentrations of very highly-paid jobs. Irrespective of the future of the coal-fired power industry, this level of inequality needs to be redressed.

8. A just transition must be conceived of in terms of the whole of community, rather than just of the electricity industry. This means that funds for structural adjustment or transition should not be given to or managed by only those companies or organizations associated with the electricity sector. Structures for the management of a just transition must have a community-wide focus. For this reason, the transition process cannot be primarily or even substantially left up to markets or the private sector. To manage the diverse interests that exist throughout regional communities, governments must play the leading role, even if it is only to establish new governance structures for just transition, in the way suggested later in this submission. The history of industry restructuring in Australia shows that leaving it to “the market” to decide how transition occurs – how investment decisions are made, how jobs are created, the kinds of new economic activities that are to be developed and so on – will not lead to successful outcomes. Indeed, the privatization of the Latrobe Valley’s electricity generators in the 1990s shows exactly how unconstrained market processes work to cause severe economic and social dislocation.

9. Changing the way we generate electricity, and improving energy efficiency throughout the economy are vital, but we must not constrain our thinking only to the way we make and consume energy. In the Latrobe Valley, for instance, opportunities for new jobs and for CO₂ mitigation are also to be found in sectors that have little or no connection to the power industry. The Valley’s agricultural activities have the potential for expansion and enhancement, not only providing jobs but also helping to draw carbon out of the atmosphere through large-scale re=planting of forests, and carbon farming. The Valley’s educational institutions, particularly Federation University Australia and Federation Training TAFE Institute, could become the basis of an expansion of research, training and cultural activities in the Valley.

10. Allowing “the market” to decide on the future of the electricity industry is not appropriate. The pace and scale of the change that is needed, as well as the potential ramifications for workers and communities, necessitates active leadership and involvement by governments. All over the world we have already seen that market responses to the threat of climate change have been woefully inadequate. To continue to place faith in a method that is clearly inadequate is irresponsible.

11. Existing timeframes for closure are inadequate. The scale and pace of climate change are rapidly becoming clear. To achieve anything like what is needed, we must act much quicker than current plans allow. Timeframes that envisage closure by 2050 or 2035 are, according to the science, too long. We must commit to closure of coal-fired power generation within ten years if we are to meet the targets required to avoid the worst impacts of climate change.

12. Dealing with coal-fired power stations cannot be seen in isolation from the need to restructure the economy as a whole to make it sustainable. While power generation accounts for the single largest proportion of the nation's greenhouse gas emissions, the majority of emissions emanate from other sources. To tackle emissions from power generation while doing little to deal with emissions more broadly would mean a cleaner energy system, but an economy that remained fundamentally unsustainable.

13. The remainder of this submission provides an indication of the breadth of policy areas that need to be tackled if a truly just and effective transition process is to be achieved.

a) **A Community Transition Plan (CTP)** should be established. It should be about more than just industry restructuring. It should be about community transition in a broad sense. Leaving it up to 'the market' and those who have most power in the market – business – to transform the economy of a region has a long and unhappy history in the Latrobe Valley. The privatisation of the electricity industry and its attendant loss of jobs and consequent social problems demonstrate what happens when the community is not properly engaged in economic transformation. Failure to properly engage the community and to see change as just a matter of industry restructuring rather than community transition is also a recipe for rent seeking based on manipulation of industry adjustment funds, a process also with an unfortunate history in Australia. Industry restructuring must be seen broadly, as not just involving particular businesses, even if they are the largest employers in town. Restructuring must involve whole communities.

In this broader sense, there is an imperative to ensure the widest possible engagement with communities, and the implementation of effective governance arrangements, particularly around allocation of restructuring funds.

Thus, an effective CTP must include recommendations for governance structures to enable the transition.

In regional areas that are highly dependent on heavy polluters, the CTP should engage with stakeholders widely conceived: businesses, unions, local governments, community organisations, local people, community service and infrastructure providers etc.

Representation on the CTP steering committee could be determined by a mixture of appointment (by business organisations and unions, for instance) and direct election (of citizens).

The CTP should include:

- A vision for a socially, politically and economically inclusive and environmentally sustainable region;
 - A vision for the type of economy (perhaps the preservation of a focus on energy generation, or manufacturing; or transition to high-tech services; or an increase in tourism; greater emphasis on agriculture, etc).
 - A vision of the role and place of the affected region within the state and Australia.
 - population size and social development targets (eg. around health, healthy aging, youth engagement etc).
 - policy analysis and recommendations for education and training
 - Job targets in new economic sectors
 - Targets for phase out of fossil fuel mining and burning
 - Analysis and recommendations for transport, including public transport
 - Planning of leisure facilities
 - Plans for long-term engagement of communities in the transition process
 - Structures for community economic control, such as cooperatives
 - Analysis of local, State and Federal policies, including the role of tax, subsidies and industry policy
 - Policies to transform sustainability in households and communities
 - Incentives for sustainable industry
 - Ideas about raising capital
 - Analysis of what has already been said and done for and to the affected region
 - Policies for the protections of the natural environment
 - Recommendations about the use and conservation of water
 - Ideas for transitional industries
 - ideas for the redevelopment of power stations and mine pits
 - suggestions for the revitalisation of towns
 - policies for spatial planning
 - suggestions for governance structures
 - review of the implications of technological change and the future of the region
 - etc.
- c) **Industry policy** to identify sectors with potential for growth, and the policies that might need to be adopted to facilitate their expansion, including (note, industry policy should be conducted also at a state and national level):
- Transport networks
 - Tax policy, eg. Land tax
 - Identification of sites, including the ability to repurpose redundant industrial sites
 - Subsidies
 - Employee buyout
 - Encouragement of cooperatives

- Procurement
- Legislative changes to encourage renewables, eg. Improving star rating requirements in residential developments by, for instance, mandating solar hot water systems.
- Employment policies
- Integration of government layers
- Industry policy to support manufacture of renewable energy technologies

d) Cooperatives

- Encouragement of social sector economy through preferential treatment in procurement
- Support for employee buyout
- Support for establishment of a cooperative bank, the purpose of which is to fund the set-up and expansion of sustainability-focused cooperatives
- Establishment of a cooperatives incubator.
- Support for community-owned energy-generation, eg. Large scale solar farms

d) Economic transition

- Investment in carbon farming and forest planting
- Encouragement of education, training, research and cultural activities, through, for instance, FEE-HELP waivers or reductions for students choosing to attend Latrobe Valley (for instance) education institutions. This would also require improved public transport links between Churchill, where FUA is located, and larger Valley towns, as well as facilities and housing to encourage students to live in the Valley.
- Commitment to job creation (see 'industry policy' and 'cooperatives' above)
- Government as employer of last resort
- Large-scale investment in renewables and energy efficiency
- full employment, but based on a shorter working week.

e) Governance transition

- State and Federal Governments should establish ministries for just transition, or inter-ministerial councils on just transition.
- Establish Community Transition Authorities (CTA). These would engage with stakeholders widely conceived: businesses, unions, local governments, community organisations, local people, community service and infrastructure providers etc. Representation on the Authorities would be determined by a mixture of appointment (by business organisations and unions, for instance) and direct election (of citizens). The Authorities would establish Community Transition Plans (see above), which might include a vision for the type of economy (perhaps the preservation of a focus on manufacturing; or transition to high-tech services; or an increase in tourism). Goals might include population and social development targets. The primary purpose of the Authorities would be to allocate and manage funding for

transitional programs broadly conceived and not restricted to industry restructuring. Specific industries seeking funding for restructuring would apply to the Authority, which would consider the application against a number of criteria: need; effectiveness in achieving the goals of the CTA; contribution to reducing greenhouse gas emissions and ameliorating other environmental destruction. CTAs should operate according to deliberative democracy principles. Plans, proposals and applications adopted by the CTA must be subject to public deliberation, during which proponents and experts present their cases in open public forum and can be questioned and challenged. Such forums should be streamed on the CTA's website. The members of the CTA must consider the information and decide on appropriate action.

f) Energy efficiency (national or statewide policies)

- Improvements to star ratings for all new residential and commercial buildings, including mandating solar hot water systems
- Programmes to encourage retrofitting for energy efficiency, perhaps utilizing rates system
- Refurbishment of the grid

g) Transport policy

Transport policy has an important role to play in helping regional areas to transition away from coal. It is also important to moving towards a sustainable economy as a whole.

- Improve train connections between areas in transition and metropolises, to dramatically reduce travel times and allow people to live in, for instance, the Latrobe Valley and work in Melbourne or its suburbs.
- Emphasis on public transport and cessation of freeway building.

g) Urban planning

Effective urban planning in regional areas affected by coal closures, and in major metropolitan regions, will help to facilitate the shift to less energy-intensive urbanization:

- Putting an end to car-based urban development
- Cessation of big-box retail development
- Increased residential density
- Improved local infrastructure
- Greater integration of residential and commercial activities to minimize journey to work times.

h) Working time

- Move towards a 30-hour working week to increase employment, reduce over-work, improvement opportunities for people to engage in community activities, and reduce journey to work CO2 emissions.

i) Financing the transition

Around \$8 billion of electricity is traded in the National Electricity Market each year. Even small amounts of taxation on this sum would raise large amounts of money to dedicate to transition in affected communities. Five percent, for instance, would provide \$400 million. Even 1 percent would equate to \$80 million. Ways must be found to leverage these resources for the purpose of transition. Some suggestions:

- A substantial proportion of the revenue raised from the taxation of electricity generation companies should be dedicated to the transition in the communities where they operate, and an increase in the taxation should be instituted.
- Introduction of a levy on power generation companies
- Introduction of a just transition levy on electricity bills, with exemptions for those purchasing green power.
- A combination of these, with appropriate protections for low income earners.

I would welcome the opportunity to present to the Enquiry.

Dr Colin Long
