Latrobe City Council Submission

Senate Standing Committees on Environment and Communications Inquiry

Coal-Fired Power Funding Prohibition Bill 2017

August 2019

LatrobeCity
a new energy

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Introduction

Latrobe City welcomes the opportunity to provide its response to the Senate Standing Committees on Environment and Communications Inquiry on Coal-Fired Power Funding Prohibition Bill 2017.

Latrobe City is Gippsland's only Regional City, servicing the population of 74,000 people who largely reside in the four major population centres of Moe-Newborough, Morwell, Traralgon and Churchill. Its economy is built on the vast natural resource of brown coal and related power generation. The Latrobe Valley region contains an estimated brown coal resource of 65 billion tonnes, one of the largest deposits in the world, of which approximately 50% has been identified as potentially viable.

Latrobe City Council has had a long interest in open cut brown coal mining and power generation from brown coal as a major driver for economic growth and employment in the region. The region's brown coal has been utilised for the provision of affordable electricity for the majority of Victoria (contributing in excess of 70 per cent of Victoria's energy requirements) originally by the State Electricity Commission of Victoria and subsequently by private mine operators via three large coal mines at Traralgon (AGL Loy Yang), and Newborough (Yallourn) and now closed Morwell (Hazelwood).

With a Gross Regional Product (GRP) of approximately $4.87 billion (2017), Latrobe City makes a significant contribution to the Victorian economy.

Latrobe City has been in economic transition for many years, following the Hazelwood Power Station and Mine closures in 2017 and the subsequent significant Government investment in the region. With the anticipated future power station closures, our region will continue its significant economic and structural transition.

As part of this process, Latrobe City Council has engaged with its community to develop a Strength-Led Transition Plan that delivers a new forward-looking vision for a strong and prosperous Regional City, building on the diversified economy that is based on the engineering skills, know-how and heavy industrial infrastructure developed in the course of the generations-long history of brown coal-fired electricity generation.

At the core of this transformation is a strong need to drive the region's employment and economic diversification, given that Latrobe City has borne, and is expected to continue to bear, a significant economic cost of the structural change currently occurring in the Australia's energy sector.

Submission: Prohibition on Commonwealth support for coal-fired power stations

Impacts of early and unplanned closures of brown coal-fired power stations

Latrobe City Council would like to take this opportunity to express its strong opposition to the *Commonwealth Coal-Fired Power Funding Prohibition Bill 2017*. As it stands, this Bill would prohibit the Commonwealth government or its agencies from funding the refurbishment, building or purchase, or assisting in the transfer of ownership, of a coal-fired power station.

Council is particularly concerned about the anticipated impact of this Bill on Latrobe Valley's brown-coal fired power stations and the potential for any early or unplanned power station closures. Given the concentration of the power generation activity in the Latrobe Valley, any early or unplanned closures would have significant implications on the power station workers, their families, this community and our economy at large. Additionally, Council is concerned that in the longer-term this Bill, if passed, would significantly restrict the use for any purpose of this essential energy generating infrastructure.

The contraction of the coal and electricity industry in Latrobe City has had, and is expected to have, a significant disruptive impact on the productivity, economic and social outcomes across this community.

The Hazelwood Power Station closure resulted in approximately 750 direct and 300 indirect job losses in the region, decrease of $1,220 million in output, reduction by $255 million in demand for intermediate goods and services, and consumption effects reduced by $103 million. Overall, the Hazelwood closure resulted in a decrease in total regional output of more than $1,580 million. It is estimated that the loss of Latrobe City's gross regional product from the closure of Hazelwood was close to $340 million. These impacts are still deeply felt across our community and our economy.

The currently active AGL Loy Yang Mine in the Latrobe Valley is Australia's largest open cut mine with an annual nominal output of 30 million tonnes of brown coal. It supplies the two adjacent Power Stations, namely Loy Yang A Power Station operated by AGL Loy Yang and Loy Yang B Power Station operated by Alinta. These power stations provide approximately 50% of the electricity generated in Victoria.

AGL Loy Yang currently employs approximately 600 FTE and 300 contractors and contributes estimated $10 million per week to the local community through procurement, labour and the contractors.[1]

The Yallourn Power Station, on the other hand, employs more than 500 people and generates 20% of Victoria's total electricity generation.

[1] https://www.agl.com.au/-/media/agl/about-agl/documents/how-we-source-energy/thermal-energy-environment/agl-loy-yang/sustainability-report-15-16_agl-report-format.pdf?la=en

Any Government policies and regulations resulting in an early or unplanned closure of the coal-fired power stations would have a further impact that reaches beyond this region. The early retirement of power stations could significantly affect the affordable baseload capacity, and the security and stability of the nation's energy supply which are fundamentally important to the efficient operation of the Australian economy.

Affordable electricity is critical for businesses and industry to be competitive in national and global environments. Due to the unreliability of renewable technologies, there has to be baseload power in the system to provide grid stability and security; and coal and gas are currently the only viable options.

There are proven large-scale operating technologies that are capable of achieving significant improvements to emission profiles while providing an abundant supply of baseload energy in support of the intermittent load generated from renewable sources.

Collaborative just transition

It is clear that the longer term process of transitioning from brown coal-fired electricity generation will result in significant impacts, particularly in the communities such as Latrobe City where any changes to the coal-fired power generation industry are immediately and directly felt.

Council recognises the importance of 'orderly and planned' economic transition for Latrobe City. Based on the international best practice, it is clear that the most successful transition programs involve strategic planning, combined with specific goals, and strong and early community engagement.

To this end, Council urges the Governments at Federal and State levels to collaborate with the affected communities on the development of strategic and staged transition plans, combined with a program of proactive and timely measures to ensure that the investment in the region delivers value for money through targeted and prioritised approaches, any interventions are appropriate and that all relevant parties, including the Latrobe City community are heard and engaged in this process.

This is to ensure that the economic costs of Victoria moving away from coal-generated power are not disproportionally felt in this region which still relies heavily upon the coal-fired power generation industry as its economic backbone.

As part of economic diversification, the Government could support research and development of low emission technologies and alternative uses of carbon from the region's plentiful resource, brown coal.

The CO2, as source of carbon, has the potential to be leveraged as a valuable 'raw material' and a component in the manufacture of a range of products such as chemicals, liquid fuels, carbons and agricultural products, potentially reducing the demand on the use of finite oil and gas resources.

Additionally, carbon captured can be applied to manufacture of consumer products, including synthetic surface sports arenas, mattresses and upholstered furniture.

In an attempt to identify, qualify and secure these opportunities, Latrobe City Council has been seeking support from both State and Federal Governments for the establishment of a Regional Carbon Innovation Centre (RCIC) in the Latrobe Valley as a hub for innovation, research and development from an early technological stage to a demonstration and pre-commercialisation stage. A feasibility study on the proposed Centre has been recently commissioned by Australian Carbon Innovation (ACI).

Initiatives such the Hydrogen Energy Supply Chain (HESC) could provide further economic development opportunities through safe production and transport of clean hydrogen from the Latrobe Valley to Japan. The CarbonNet project is an example of an investigation into the potential for establishing a commercial-scale carbon capture and storage (CCS) network in the Latrobe Valley.

New technologies such as CCS could have a significant impact on the future of coal-fired power generation and should be considered during policy development. However, as is the case with other clean energy technologies, the cost of CCS needs to be brought down through innovation, research and deployment. This will require a high level of national and international research collaboration, and sustained government and public support.

There could be a range of beneficial impacts on the Latrobe City's economy and beyond if carbon-based projects were developed and implemented through the utilisation of these new technologies. Such benefits would be expected to be at least equivalent to the economic benefits from coal-fired power generation.

Conclusion

While Council recognises that a notable progress has been made to deliver on the transitioning and diversification initiatives in the Latrobe Valley, strong planning and implementation measures are required to provide for genuine employment, private sector investment and economic diversification as the region moves into a new phase of its economic and social change.

While opposing this Bill, Latrobe City urges the Government to ensure that:

- The impacts on the Latrobe Valley from the changes to the energy sector are considered through effective planning, engagement and support for Just Transition to reduce disproportionate adverse impacts on the region;
- Latrobe City and its community are closely consulted and collaborated with throughout all phases of the transition; a Council endorsed resource/ consultant with knowledge and experience of the region should be appointed to lead this process; and
- As part of the region's economic diversification, low emission technologies and alternative uses of carbon from brown coal such as hydrogen production are actively supported by the Government.

Latrobe City Council is endeavouring to model an inclusive and collaborative approach to expedite the planning, advocacy, development and support of the economic diversification. To this end, Council invites all levels of Government to partner with Latrobe City and its community in all discussions, policy and program planning and design with regards to the region's continued transition. Creating a long-term, considered plan for transition for the

Latrobe City towards a future of economic and social prosperity is achievable, and can be best driven with involvement from the Latrobe City community.

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