



GIPPSLAND AREA
CONSULTATIVE COMMITTEE INC

***Senate Select Committee on Fuel and Energy
April 2009***

***Submission from the
Gippsland Area Consultative Committee Inc.
(Regional Development Australia – Gippsland)***

Introduction

The Gippsland Area Consultative Committee Inc. (GACC) is a member of the national network of Area Consultative Committees (ACCs), funded by the Australian Government, through the Department of Infrastructure, Transport, Regional Development and Local Government.

The Minister for Infrastructure, Transport, Regional Development and Local Government, the Hon Anthony Albanese MP announced on 20 March 2008 that, as foreshadowed in the Government's key regional election commitments, ACCs will provide the basis for the creation of Regional Development Australia (RDA).

The GACC's vision is: "To provide leadership through regional partnerships directed at improving community and economic development, and generating employment growth for the benefit of Gippsland."

In consultation with the community the GACC has developed a ten-year *Strategic Plan to 2017*¹. The Committee has identified areas of priority for Gippsland consistent with other regional strategies namely:

1. Environmentally and socially sustainable region
2. Strong, globally linked local businesses
3. Nationally recognised region
4. Global food bowl
5. Vibrant education and research sector
6. Source of clean energy
7. World class health care

A snapshot of the Gippsland region

Geography:

The Gippsland region is made up of the six municipalities of Baw Baw, Bass Coast, South Gippsland, Latrobe, Wellington and East Gippsland. The region is consistent with Victorian Government boundaries, and the boundary of the Gippsland Local Government Network. Gippsland crosses three Federal electorates – Gippsland, McMillan and Flinders.

The region stretches along the coast from the New South Wales and Victorian border in the east to Phillip Island in the west, Wilsons' Promontory in the south and to the mountains of The Great Dividing Range in the north.

The region comprises 41,539 square kilometres and takes seven hours to travel from one tip (in Bass Coast) to the other (in East Gippsland). The only means to do this is by car as there is no regional passenger air service other than charter flights. Rail services operate along the 'spine' of Gippsland between Bairnsdale and Melbourne.

¹ Gippsland Area Consultative Committee Inc, *Strategic Plan to 2017*, adopted November 2007

The range of geographic features covers mountain peaks and alpine country to rich dairying and grazing flats along the coast. Some of Victoria's most productive agricultural and fishing enterprises are found in Gippsland.

Demography:

Gippsland region comprises 250,846 people as at 30 June 2008². The region comprises remote areas, rural townships and several regional centres including the major municipal centre of Latrobe City which has almost one third of the region's population living within or proximate to its Council boundaries (74,000 people live within the City).

For the first time since 1986-91, all Gippsland municipalities recorded population growth in 2001-06. Growth has been concentrated in Traralgon, Warragul and Bairnsdale.³ Bass Coast growth slowed compared with 1990s although 53% of ratepayers in the Shire remain non-resident. In South Gippsland and Wellington, non-resident ratepayers are approximately one third of residents. This, coupled with an ageing population along our coast, presents major planning challenges for local government and service providers.

In 2001, in Gippsland, there were only 15 townships with a population in excess of 3,000. There were 69 communities with a population between 100 and 3000. This equated to 65,412 people living in places with a population less than 100 – almost the same number that live in the highest populated local government area of Latrobe City.

Major Industries:

Gippsland is primarily a resource-based economy. Despite this, there has been significant economic diversification in the past decade in Gippsland. Major industries include:

- energy and mining including brown coal, minerals and gold;
- dairy, beef and veal production;
- horticulture, including vegetable growing;
- value-added food processing;
- Victoria's largest fishing fleet;
- Forestry and paper production including the largest pulp mill in the Southern Hemisphere in development at APM Maryvale;
- water management and irrigation;
- the health sector;
- a rapidly growing tourism industry based on eco-tourism experiences; &
- the aeronautical industry including the Aviation Aerospace Victoria Ltd 'cluster' and Gippsland Aeronautics – a leader in Australia's emerging aircraft manufacturing industry.

² Australian Bureau of Statistics web site.

³ Department of Sustainability and Environment; *Summary of Population Change 2001-06 and Research Matters*; Issue 44 December 2007

Gippsland provides:

- 85% of Victoria's electricity;
- 60% of Melbourne's water storage;
- 20% of Australia's national milk production; and
- 42% of the nation's total naturally occurring liquid petroleum gas.⁴

Employment in Gippsland is made up primarily of the retail sector (27% or 20,700 people); the construction industry (21% or 15,800 people); and agriculture, fisheries and forestry (16% or 12,300 people).⁵ Almost 20% of the East Gippsland area relies on the forestry sector for jobs as opposed to 5% State average.

Background - Involvement of the GACC in Regional Energy Issues

The Sustainable Gippsland Advisory Committee (SGAC) worked in partnership with the GACC in delivering the Commonwealth Government's *Sustainable Regions Programme* between 2001 and 2006. SGAC members were also members of the GACC.

The SGAC supported the following energy industry related projects funded by the *Sustainable Regions Programme*:

- Latrobe Valley Co2 Geological Storage (Geosequestration) Assessment (Dec 2002)
- The Energy Challenge - Latrobe Region Energy Policy, Strategy and Implementation (June 2004)

In the first project, Australian Power and Energy Limited (now Monash Energy) was assisted to develop an independent, definitive, strategic assessment of the long-term CO2 storage capacity of the Gippsland and Bass basins and an assessment of likely development pathways and the economic cost of accessing various tranches of storage. The study itself⁶ was undertaken by the Cooperative Research Centre for Greenhouse Gas Technologies (CO2CRC). SGAC considered that this assessment would be invaluable as a guide to communities, governments and industries in creating a new sustainable energy future for the Latrobe Valley and Australia.

The second project was initiated by Latrobe City Council (LCC), who recognised that major global energy challenges to the use of fossil energy would have implications for the region and Victoria and that it was vital that these implications were understood and regional strategies developed to meet them. In order to be able to engage in the emerging debate on energy issues the regional community needed to upgrade their knowledge, planning capacity, infrastructure, and general skills. The region needed a coherent regional energy policy and a strategy to engage with broader policy formulation processes and maximise new regional energy development opportunities.

⁴ West Gippsland Catchment Management Authority materials

⁵ ABS May 2007 data for ABARE Gippsland Regional Outlook Conference July 2008

⁶ Cooperative Research Centre for Greenhouse Gas Technologies, *The Latrobe Valley CO2 Storage Assessment*, Report Number RPT05-0220 November 2005

Assisted by *Sustainable Regions Programme* funding, this “Energy Challenge” project aimed to develop and implement a Gippsland energy policy and strategy.

During the funding period, the Energy Challenge’s 2004 and 2005 Gippsland Energy Summits attracted an audience of over 160 key stakeholders from across the Gippsland Region. These included major potential energy investors, academics and State and Federal Government politicians and senior departmental representatives. The issues raised formed the basis of the key elements of the subsequently developed *Gippsland Energy Policy*⁷. This policy has been endorsed by the Gippsland Local Government Network.

Within the region a number of agencies took the view that another Summit was needed, primarily to address the then pending Garnaut Review outcomes and government policies on climate change. As a consequence, a 2008 Energy Summit was also held with the GACC as a key in-kind sponsor and contributor. The Summit attracted more than 180 delegates including speakers from a variety of Commonwealth and State agencies, private industry, the union movement, academia, and research bodies.

The GACC was a major sponsor and contributor to the development by the Gippsland Local Government Network of the *Gippsland Regional Development Strategy*⁸ (GRDS) and a plan to implement that strategy. In relation to the Senate Select Committee on Fuel and Energy’s terms of reference, the GRDS includes an Energy Supply Infrastructure project, which recognises the significance of the energy industry to the region.

In addition, a GACC member currently provides secretariat support for the *Gippsland Resources Infrastructure Development* (GRID) group – an industry reference group of coal based developers, both existing and emerging. The primary role of GRID is to identify infrastructure requirements for new projects in the region.

The GACC has also made submissions or comment to the following government inquiries relevant to the energy sector and the Gippsland region:

- The Australian Government’s *Carbon Pollution Reduction Scheme Green Paper*
- The Victorian Government’s issues paper - *Strategic Policy Framework for Near Zero Emissions from Latrobe Valley Brown Coal*
- The Victorian Government’s *Environmental Effects Statement – Hazelwood Mine West Field* public consultations
- The House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government’s *Inquiry into the impact of the global financial crisis on regional Australia*

⁷ Gippsland Local Government Network, *Gippsland Energy Policy*, 2006

⁸ Gippsland Local Government Network, *Gippsland Regional Development Strategy*, September 2006

The impact of a Carbon Pollution Reduction Scheme (CPRS) on the Latrobe Valley and district

In the GACC's view, there will be a high price for procrastination on regional investment and assistance for Gippsland and other CPRS affected regions, especially in the context of the global financial crisis.

Whilst a significant amount of new investment has been announced for the region⁹, there is some concern that the current global financial crisis and restrictions on access to capital may delay or thwart proposed investments. This would be of even more serious concern if projects aimed at reducing the region's carbon emissions, while utilising the region's vast resources, are stalled.

The impact of the proposed CPRS on the Latrobe Valley and greater Gippsland has been well documented through recent modeling undertaken for the Gippsland Local Government Network.¹⁰

The GACC acknowledges modelling by the CSIRO and others for the Dusseldorp Skills Forum in mid 2008 showing that a:

“...rapid transition to sustainability would have little or no impact on national employment...”¹¹

However, we argue that as this modelling was done before the issuing of the Commonwealth's CPRS Green Paper, and does not take into the account the specific needs of regions like Gippsland, that more specific analysis is required. In addition, the CSIRO report has a high focus on retraining and new skills for the 'green collar' labour force: we agree that this is well worth embarking on. However, we are equally concerned that it is not necessarily a policy that will be effective for the Latrobe Valley, for two reasons:

- the ageing workforce employed in the energy sector (average age 45+); and
- the vulnerability of this workforce given already higher than national and state average unemployment in the region.

⁹ ACIL Tasman, *A Submission on the CPRS Green Paper – “Managing the Transition”*, prepared for the Gippsland Local Government Network, September 2008

¹⁰ ACIL Tasman, *ibid*, pp 4-5

¹¹ CSIRO and The Allen Consulting Group, *“Growing the Green Collar Economy: Skills and labour challenges in reducing our greenhouse emissions and national environmental footprint”* – Report to the Dusseldorp Skills Forum, June 2008, p1

As noted in the GACC's response to the Carbon Pollution Reduction Scheme (CPRS) Green Paper¹², Gippsland, and especially the Latrobe Valley, is a region likely to be affected by the proposed CPRS in several contexts. The region's key industries as described above are both emissions intensive and trade exposed and **Gippsland is therefore likely to sustain an impact unlike any other region in Australia.**

The potential for job losses in the region's energy industry and the multiplier effect are of high concern to the GACC; especially given the projected increased cost of utilities to households.

Assistance required by the Gippsland region

The GACC calls for a 'socially just' transition for the Gippsland community. Any mandated energy policies that impact on Gippsland resource utilisation must also consider the impact on the Gippsland region as a whole.

There has already been significant structural adjustment (job losses) in Gippsland's forestry, dairy, coal and fishing industries. Successive governments both State and Commonwealth have attempted to redress these job losses.

The Garnaut Climate Change Review interim report states:

*"There is, however, both Australian precedent and a rationale for structural adjustment assistance to workers, communities and firms whose established incomes, employment and patterns of life are disrupted by reforms."*¹³

The GACC understands the intent of the CPRS and fully supports the proposed *Electricity Sector Adjustment Scheme* - with the delivery of any structural adjustment components through **Regional Development Australia** at the local level. The GACC contends that structural adjustment packages can be very effective and efficient policy instruments to deliver benefits to local communities by bringing forward projects and:

*"smoothing or slowing (but not preventing) the process of economic adjustment for industries, workers and regions."*¹⁴

The GACC draws on our experience in the Commonwealth's *Dairy Regional Assistance*, *Sustainable Regions*, and *Fishing Community Assistance* programmes as examples of programmes that have worked effectively and delivered timely structural change in Gippsland, directly through a local agency with strong local relationships and knowledge.

¹² Gippsland Area Consultative Committee Inc., *Carbon Pollution Reduction Scheme Green Paper – Submission*, July 2008

¹³ Garnaut Climate Change Review, *Interim Report to the Commonwealth, State and Territory Governments of Australia*, February 2008, p 50.

¹⁴ ACIL Tasman, *ibid* p 17

The case for structural adjustment assistance to Gippsland has been well-argued in the ACIL Tasman work undertaken for the Gippsland Local Government Network, and does not need to be repeated in this submission.¹⁵

The GACC argues that before any adjustment scheme is put in place, that the Commonwealth should commission specific regional modelling for Gippsland, to include an analysis of expected jobs decline and growth, together with recommendations for possible newer 'green' and lower emissions industries, which may be based on public policy shifts and imperatives.

Future investment in Gippsland's energy resources

The GACC supports the viability of existing resource based industries in the region, and the development of new industries from these resources. The further development of the brown coal industry, particularly in respect to major exports, will impact on Gippsland as a whole. In addition, human capital exists in the region given the long term nature of the energy industry in the Latrobe Valley over the past 75+ years.

We argue that, in addition to new low emissions and emissions free technologies, Government policy should accommodate for growth in emissions intensive trade exposed industries such as the brown coal and natural gas sectors on the condition that they comply with world's best practice and technology.

The Gippsland brown coal fields are more than an energy resource. They may in the future be used for other purposes: even beyond energy production, the resource when compared with gas or other resources is sizeable, and long term.

The GACC supports ongoing research and development into the effective utilisation of brown coal and other natural resources in Gippsland. Gippsland has the opportunity and the facilities to make a major contribution on an international scale to the effective utilisation of its natural resources. For example, peak oil concerns mean the viability of converting brown coal to oil needs to be reassessed – Latrobe Valley coal has already been successfully proven to be a feasible source of oil and is an opportunity for the region in the future.

Commonwealth and State governments need to encourage an economically viable mining industry for the Latrobe Valley - indeed for Victoria: to ensure that the wider interests of the State and the local community are addressed sustainably in economic, social and environmental terms.

Victoria's very large brown coal reserves and the challenges of reducing the current high levels of greenhouse gas emissions provide an opportunity for national leadership to be applied to the Gippsland region.

¹⁵ Ibid, p 18

This might, for example, take the form of a public-private partnership to capture CO₂ from the Latrobe Valley generators and store it in the depleted oil and gas fields of Bass Strait. However, we would simultaneously argue that the desirability of such a project as well as its viability needs to be assessed in detail.

Summary and recommendations

- Gippsland is renowned for energy production and distribution. The GACC contends that **the move to lower emissions technologies and emissions free technologies should be undertaken with Gippsland in ‘front of mind’ and that new plant needs to be developed in the region urgently.** This is on the basis of:
 - Assisting the brown coal electricity sector to move to best practice technologies;
 - The region’s established infrastructure and transmission network;
 - The skilled work force;
 - The existence of excellent training facilities including the Gippsland regional campus of Monash University and its engineering school, and a large TAFE; and
 - Apparent public acceptance of the electricity industry.
- **Gippsland has the future capacity to export low emissions technologies knowledge for Australia.** Australia can seek a return on investment in export terms from these developments. In the GACC’s response to the Victorian Government’s issues paper *Strategic Policy Framework for Near Zero Emissions from Latrobe Valley Brown Coal*, we called for action on government investment in new plants within 1-2 years. This was in 2007. We acknowledge the Commonwealth’s and the State’s respective investments in the past three years.
- **The GACC expects that the Commonwealth will consult regional development bodies regarding strategies to advance economic activity** including new industry, infrastructure development, changes in population and impact on natural resource utilisation.
- **Gippsland needs to ensure the provision of a stable, adequate and cost competitive workforce to meet the energy industry needs of the future.** Regional education and training must match these requirements and utilise the natural advantages that exist. Stability, leading edge technology and the provision of opportunity for Gippsland youth are primary objectives within this view, **and this requires assistance and planning from governments.**
- Regionally based research and development is essential to meeting the objectives of technological advancement and environmental responsibility. **The GACC recommends that all stakeholders, including the Commonwealth and Victorian governments, contribute to the objectives of establishing Gippsland as a centre of excellence in resource utilisation.** A pooled national approach to R&D in the energy sector via the Commonwealth’s recently opened Clean Energy Centre, with the inclusion of local institutions such as Monash University Gippsland is required.

- **Specific regional modelling for Gippsland needs to be commissioned by the Commonwealth.** This ideally should include:
 - A logical, planned approach to the transition to a low emissions future for Gippsland;
 - A recommended allocation of funding for structural adjustment for the region; &
 - Identification of where new jobs will emanate from and the policies required to bring these jobs forward e.g. new manufacturing in aviation, energy production from new sources such as biofuels, gas from the Gippsland basin, coal to oil, dried brown coal, wave power from the extensive beaches on the Gippsland coastline etc.

-end-