

EXECUTIVE SUMMARY

CHANGE IS COMING

The Latrobe Valley has a proud history of supplying the electricity that powers Victoria. But coal-burning power stations are ageing and –responding to climate change – the world is moving rapidly to cleaner energy sources. In this shifting context, the Latrobe Valley faces inevitable change. The question is: how will that change be managed?

With recent news that Hazelwood power station may close as early as in April 2017, there is a narrow window of opportunity to ensure that the Latrobe Valley prospers during the transition to a cleaner economy, rather than suffers as it did during previous economic changes.

A ‘just transition’ is a framework for managing the shift towards such new economies, with a focus on inclusive participation for those affected and a fair distribution of the costs and benefits of change.

This report explores what a just, and well-managed, transition process for the Latrobe Valley might look like. As experience from around the world has shown, when industrial change does arrive it can come very quickly, and being unprepared is costly.

In South Wales, UK, where there was little transition planning prior to the 1980s coal-mine closures, the damaging economic and social consequences have been profound and long-lasting. By contrast, Rochester, New York, which started planning its transition two decades before the city’s main employer – Kodak – collapsed, the situation has been more positive.

The first closure of one of the four large coal-burning power stations in the Latrobe Valley could be as early as 2017, and the rest could quickly follow. Tangible action and funding to develop an alternative economic future is required now.

For the Latrobe Valley to successfully achieve a just transition, two equally important processes must occur: (1) an orderly and planned transition *away* from coal; and (2) a collaborative and inclusive transition *towards* a sustainable local economy.

MINIMISING THE IMPACT OF POWER-STATION CLOSURE

An orderly and planned transition *away* from coal should include the following elements:

- **A plan to phase-out power stations over time:** introducing a timetable for an orderly phase-out of the four Latrobe Valley power stations and three associated mines, creating certainty for energy supply planning and local economic adjustment;
- **Support for mine and power station workers:** making sure employees receive their full entitlements. Additionally, power-station operators should cooperate to ensure older workers across the fleet are eligible for redundancy packages, while continuing to employ younger workers at the remaining generators; and
- **Comprehensive mine rehabilitation:** carrying out rehabilitation works at each mine and delivering environmentally sound landscapes in line with community expectations.

CREATING THE NEXT ECONOMY

A collaborative and inclusive transition towards a sustainable local economy should:

- Build on the Valley's assets – its physical infrastructure, skilled workforce and tertiary education sector;
- Rely on 'big picture' thinking, which goes beyond piecemeal support for individual projects to create an environment that breeds innovation and new investment; and
- Take a whole-of-government approach to leverage investment from a range of sources to deliver long-term economic, social and environmental benefits for the region.

While good transition planning processes are important, so are ideas for sustainable economic development. This report profiles five potential new industries:

- **A home energy efficiency retrofit program for Gippsland**, which could create up to 620 jobs over 10 years and save Gippsland households \$58 million dollars on their energy bills;
- **Commercial building energy efficiency**, potentially generating savings of \$27.7 million per year for local businesses – which could then be spent elsewhere in the local economy;
- **A State Energy Transition Centre** that would take advantage of the region's existing electricity infrastructure to create a range of renewable energy, manufacturing and education initiatives;
- **Sustainable prefabricated housing construction** with an ecovillage on under-used land in Morwell; and
- **Solar water-heating manufacturing** taking advantage of the booming solar hot-water industry to create a local manufacturing hub in Morwell.

These case studies are intended to contribute to the conversation about transition already well underway in the Latrobe Valley community. However, the report recognises that there are many other options for increasing economic activity. As a firm believer in environmental and social justice, Environment Victoria offers these ideas to encourage – and participate in – discussions about new economic opportunities for the Latrobe Valley.

ESTABLISHING A LATROBE VALLEY COAL CLOSURE TRANSITIONS FUND

Accelerating the development of new industries like those mentioned above, or expanding existing non-coal based industries will require ongoing funding support from both the state and federal governments. Establishing a Latrobe Valley coal closure transitions fund (similar to New York State's Fossil Fuel Plant closure fund) and contributing to it in future state and federal government budgets will allow long term planning and support for new economic activity in the region. The Victorian government's \$40 million commitment in the last state budget could be the first deposit into this fund. The federal government also needs to contribute to the Latrobe Valley's transition, and should be developing a coherent plan for phasing out coal generators and supporting just transitions nationally.

NEXT STEPS IN THE TRANSITION

Local leaders are driving transition planning in the Latrobe Valley community – but they need support.

Drawing in all sectors of business and the community will help to ensure an inclusive and consultative process. A locally led task force – with diverse representation – could drive this.

There is no easy formula for managing change, just as there is no one new industry that can replace the role power stations have played in the Latrobe Valley. This is not a bad thing – diversity helps build resilience. Good planning and strong community involvement can ensure that change, no matter how big, is positive and energising.

By building a more diverse and sustainable economy, the Latrobe Valley can create a more diverse and sustainable future.