

INQUIRY INTO THE CLOSURE OF HAZELWOOD AND YALLOURN POWER STATIONS

SUBMISSION FROM ENVIRONMENT VICTORIA October 2021

1. Environment Victoria's connection with the Latrobe Valley

1.1. Overview

For the past 20 or so years, a key focus of our work at Environment Victoria has been climate change: it is not only the greatest environmental challenge we face, but it threatens both the places we have fought over decades to protect and the very future prosperity of our communities.

In Victoria, due to the Latrobe Valley's brown coal, efforts to tackle climate change have been inextricably linked to the electricity sector – responsible for over 50% of Victoria's greenhouse gas emissions while Hazelwood was still operating, and still responsible for approximately 40% today. Further, the emissions intensity of Victoria's electricity supply (ie. tonnes of greenhouse gases per unit of electricity) is amongst the worst in the developed world.

While Environment Victoria's work is motivated by solving the climate crisis, we are (both organisationally and individually) also driven by social justice. We want the transition to zero emissions and to sustainable societies to bring prosperity and opportunities, and *how* we get matters, not just *when* we get there.

To that end, and recognising that the phase out of coal power that is necessary for addressing climate change will have significant impacts on the Latrobe Valley, we have been very focused on advocating for laws, policies and funding that will help the region thrive in a zero emissions economy.

Having said that, we also recognise that the shift away from coal power will not be a net positive for every individual in the Latrobe Valley. We believe that the role of government in this situation is to implement complementary policy to ensure that there are as many net winners as possible, and that the net negative impacts are kept as low as possible.

In the sections that follow, we outline some of our more significant involvement over the past decade in the issues at the heart of this inquiry.

1.2. Participation in Hazelwood Mine Fire Inquiries

The First Hazelwood Mine Fire Inquiry

In the wake of the Hazelwood mine fire of 2014, the Hazelwood Mine Fire Inquiry was called to investigate the causes and the management of the fire.

Environment Victoria was the only third-party to proceedings, alongside mine owner Engie and state and local government agencies. The focus of our participation in those hearings was to draw attention to the inadequacy of mine rehabilitation efforts which, had these been done in a more timely way, could have minimised the severity of the fire.

The Second Hazelwood Mine Fire Inquiry

We were disappointed that the inquiry made no clear recommendations on how to improve mine rehabilitation outcomes and we campaigned to bring greater scrutiny to this issue, which had the potential to leave significant problems across the landscape of the Latrobe Valley. The re-opened inquiry was tasked with looking further into mine rehabilitation as well as air pollution and health issues. Environment Victoria participated in both parts of the re-opened inquiry.

On mine rehabilitation, we ran a public workshop to gain input on the types of final landform people would want to see and the criteria against which they thought success of rehab should be judged. We participated in the hearings with our legal team and cross-examined expert witnesses to help bring to light some of the challenges and possible pathways forward.

We alone amongst the parties to proceedings (the only others being the mine owners) advocated for an independent agency to oversee rehabilitation work. The inquiry accepted this and the role was initially delivered as the Latrobe Valley Mine Rehabilitation Commissioner and now morphed into the Mine Land Rehabilitation Authority. We view this as an important step in ensuring a positive outcome for the community from rehabilitation works. Ultimately, it is the people of the Latrobe Valley who will live with the legacy of coal mining in the region and without them on board it will be hard for rehabilitation outcomes to be counted as a success.

Beyond the Hazelwood Mine Fire Inquiry, we have played an active role in providing public-interest scrutiny of mine management and regulation, including our recent calls for an independent inquiry into the near-failure at the Morwell River Diversion at the Yallourn mine.¹

1.3. Life After Coal report

In 2016, with the future of the Hazelwood power station and mine looking increasingly uncertain, we released a report on opportunities for economic development in the Latrobe Valley and the importance of actively planning for the coming transition. The report, *Life After Coal: Pathways to a Just and Sustainable Transition for the Latrobe Valley*,² was part of our effort to draw attention to

¹ <https://www.abc.net.au/news/2021-09-01/calls-for-inquiry-into-yallourn-mine-failures/100421164>

² <https://environmentvictoria.org.au/2016/10/12/life-coal-report/>

the inevitability of the transition away from coal power and that a prosperous future for the region depends on active planning – ignoring the significant technological, economic and political trends towards ever stronger climate action would come with significant downsides for places like the Latrobe Valley.

The report draws on case studies of how economic transitions affected the city of Rochester in New York state, which had been the headquarters of Kodak until the advent of digital cameras, and Wales after the coal miners' strike and the Thatcher government's response in the 1980s.

The key themes we extracted from the case studies were:

- There is no 'quick fix'. It takes time for new, self-sustaining businesses to emerge and become a viable replacement for declining industries. If those new economic opportunities are not put in place quickly at the time of industry decline, then the resulting loss of skilled labour and economic activity can be severe and recovery may take decades.
- When government and business are absent from the transition process, even with the presence of strong local leaders, the impacts of neglect on community well-being – including health and morale – can be severe and long-lasting. Conversely, when change is imposed from outside, local communities may feel seriously disempowered. A possible lesson from this is that transition is likely to be more effective when it is the combined effort of local community leaders bolstered by strategic government and industry support and funding
- New economic opportunities can benefit from capitalising on existing assets and advantages of the region.
- Effective, collaborative partnerships between government, the education and research sector, and business are key to successful new business incubation.
- The existence of an attractive lifestyle based on a vibrant cultural scene or beautiful natural assets can help to encourage valuable skilled employees to stay or re-locate to the region and contribute to its future.

Three key features of a planning process identified in the report are:

- Planned power station closure – the uncertainty of closure dates has diverted, and continues to divert, attention away from the important work of planning for the transition.
- Supporting directly affected employees through the transition – the need for targeted financial support and re-skilling is obvious.
- Ensuring mine rehabilitation is done properly in line with community expectations – the mines dominate the Latrobe Valley landscape; what becomes of these sites will influence the future of the region.

The report also explored five opportunities for economic development in the region:

- Home energy efficiency and renewable energy retrofits
 - Investment to create jobs in a range of local trades and reduce energy bills for more vulnerable households
- Commercial building resource efficiency

- Delivering millions of dollars of energy savings to small and medium businesses, helping them stay afloat
- A State Energy Transition Centre
 - Tapping into the existing energy skills in the region to enable the development of a range of new clean energy industries
- Sustainable prefabricated housing construction
 - Capitalising on the region's trades, manufacturing and timber skills, helping to solve housing affordability challenges both locally and across Victoria
- Solar water-heating manufacture
 - Using manufacturing skills to produce local, sustainable household appliances.

Several pages of detail are provided on each of these opportunities in the full report.

As we wrote in 2016, “the common theme that unites these opportunities is a focus on sustainability – delivering both environmental and social benefits. Emphasising sustainability will help ensure that the changes the Latrobe Valley makes now will support social and ecological prosperity in the future.”

The conclusion of the report says:

How we respond to climate change in the next decade will be critical – not just for the Latrobe Valley, but for the entire Australian and global community. It will either be a time of chaotic change as the global economy crashes headlong into the realities of climate change and vulnerable communities are left to fend for themselves, or it will be an exciting and inspirational time where we grasp the opportunities of the future with both hands and make sure the benefits of a sustainable economy are shared fairly.

The tools we could use to effectively combat climate change hold enormous potential. Creating community-owned, renewable power grids, upgrading the efficiency of our homes and businesses, and developing new sustainable building technologies – to name just a few – will also help address the social equity and health problems that are disproportionately experienced by communities like the Latrobe Valley.

While the global community faces these challenges and opportunities, communities such as the Latrobe Valley are at the ‘pointy end’ of change, and risk being left behind by externally imposed decisions. The Victorian and wider Australian community has a responsibility to ensure the Latrobe Valley is not left once again to face those challenges alone. Environment Victoria looks forward to continuing to support the Latrobe Valley community to find and implement a just solution to the climate crisis to which we have all contributed.

1.4. “Communities in Transition” roundtable

In 2017, Environment Victoria and the Melbourne Sustainable Society Institute co-hosted a roundtable discussion entitled “Communities in Transition”, with attendees from across civil society, academia, local and state government, unions and community groups. Participants came together in

recognition that Victoria faces at least two types of transition: the transition away from fossil fuels as we act to avoid the worst impacts of climate change; and transitions that will be driven by the need to adapt to the environmental, social and economic impacts of climate change (eg. as a drying climate affects agricultural production).

Two guest speakers – Lisa Abbott from Kentuckians for the Commonwealth and Justin Maxson from the Mary Reynolds Babcock Foundation – shared their experience of just transitions in the Appalachian region of the USA.

They defined a just transition as “a process and strategy to move communities and workers toward economic, environmental and social justice”. It is:

- Vision-based and aspirational
- Community-led and place-based
- A way to build political will to change systems
- Principles-based

Those principles include:

- Improve the quality of life for people and communities affected by economic disruption, environmental damage, and inequality
- Foster inclusion, participation and collaboration
- Generate good, stable and meaningful jobs and broad, fair access to them
- Promote innovation, self-reliance and broadly held local wealth
- Protect and restore public health and environment
- Respect the past while strengthening communities and culture
- Consider the effects of decisions on future generations

The key lessons from their experiences include:

- In times of transition, process matters: ensure everyone has a seat at the table; include marginalised voices (young, indigenous, disabled, CALD).
- Change the conversation: name the problem and have an honest conversation about it
- There is no silver bullet: Everyone wants to develop family-sustaining employment but there is a need to be realistic about that not coming from on high. The future will be more in diversity of industry.
- Be a catalyst, not a container: This means not trying to lead the whole process and define the space; rather, we should work to spark discussion about just transitions and to lift up other voices and stories
- It is hard slow work!

Other highlights from the discussion include:

- People aren't afraid of change; they are afraid of uncertainty.
- In all examples of successful transitions, communities had a shared vision – need to create hope rather than fear.
- Think of jobs as an ecosystem: don't treat high profile job losses in isolation from the chance to improve things for those in low wage or insecure work right now (which often has a gender imbalance as well, with coal workers in higher paying jobs more likely to be men).

1.5. Communities Leading Change report

In 2018 Climate for Change and the Gippsland Climate Change Network came together to create Communities Leading Change, a training program to help upskill local Gippslanders to engage with their communities more effectively about climate change and energy transitions. For the past two years, Communities Leading Change has been sparking important conversations with people across Gippsland about what climate change and a just transition mean to them. Environment Victoria has played a supporting role for the group that has since formed from the conversations program. We highlight this work here in order to show the community sentiment and support for a fair and fast transition beyond coal that is led by and for the community.

In total, the Communities Leading Change program involved 33 participants and facilitated nearly 200 conversations with friends and neighbours. These stories – from local farmers, nurses, coal workers, scientists and more – have now been compiled in a new magazine that celebrates those carving out a new future for the region.

‘Transitions: Stories of Gippsland Communities Leading Change’ profiles people like Kate Mirams, a farmer who has developed more sustainable and regenerative ways of farming; Chris Barfoot, a clean energy worker who is helping drive investment in solar, wind and battery storage; and Bosede Adetifa, whose work shows just how powerful community leadership can be.

Volunteers helped analyse the transcripts of these conversations to identify consistent themes within the community. This formed the following intention statement, which ties each story together in the magazine:

“We can see climate change happening. It is increasing inequalities and we are concerned for our future. Fossil fuels are hazardous for the environment and our health. Change is hard and our community sometimes feels divided. But the world is responding and change is inevitable. We don’t want to be left behind. We need a plan for our future and leadership from businesses and government. With change there will be opportunities. We value our community and if we work together, we can find a way forward.”

The full document is available on the Communities Leading Change website.³

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https://www.communitiesleadingchange.org.au/new_gippsland_magazine_features_stories_of_positive_transition

2. General observations about planning and managing transitions

2.1. Environment Victoria's approach to "just transitions"

The Latrobe Valley Authority remains well-positioned to lead and manage a just transition for the Latrobe Valley community away from a local economy largely dependent on a declining industry – coal – and toward a socially and ecologically sustainable regional economy.

Change is inevitable and the Latrobe Valley has been in transition for years. History, experience, and evidence demonstrate that engaged, orderly planning is essential to ensure the Valley's communities and residents minimise negative impacts of transition, and that they can in fact benefit from it. The Latrobe Valley Authority has already made strides to provide leadership and management for planning and transitioning. With years' more work required, the LVA can be strengthened and bolstered to serve the Valley and lead efforts to grow a dynamic regional economy featuring a high quality of life by:

- Building on the Valley's existing assets, such as physical infrastructure, skilled workforce, and tertiary education sector;
- Utilising a systems-based transition design approach to transitioning, instead of ad-hoc efforts with piecemeal, short-term support of isolated projects, to create an economic "ecosystem" (economic, physical and cultural) that fosters and catalyses innovation and investment in a diverse range of new industries and businesses;
- Taking an inclusive, whole-of-community-and-government approach that ensures communities have a leading voice in their future and to leverages existing capabilities while drawing new investment from a range of sources to deliver long-term economic, social, and environmental benefits for the region; and
- Providing planning and resourcing leadership and management for the long-haul, as transitions take years, often decades.

These core elements recognise the scope, breadth, and long-term nature of the challenge. Instead of merely offering re-training and new employment for workers directly employed in the electricity sector, although that continues to be important, a just transition recognises the need for a whole system approach seeking to create a self-sustaining environment that creates jobs downstream and laterally, connects to other markets and opportunities, and that creates economic value through environmental sustainability. Keeping an independent, state-wide transition authority like LVA to guide the planning and implementation of impactful and equitable transition policies would provide the confidence that industry needs to make those kinds of investments.

Taking a piecemeal, project-by-project approach does not foster the confidence industry requires for ongoing investment. Still, projects that are sought should be 'catalytic' projects, ones that leverage other sources of investment and leave a legacy of self-sustaining and successful industries.

Managing a transition well is of critical importance. The retirement of each successive power station will be influenced by how well-managed the previous closures have been from a worker and community perspective. While the LVA has had to work hard to catch up to the impacts of

Hazelwood's closure, now is the time for it to lead the planning and preparation for the closure of the remaining power plants and mines to ensure a bright, dynamic, and sustainable future for the Latrobe Valley.

Communities in other states, and around the world, also face the daunting task of transitioning from dying industries to vibrant, growing ones. Victoria has a unique opportunity to provide a world-leading example of how to plan and implement an effective and timely just transition. Doing so will contribute significantly to the urgent worldwide task of transitioning away from fossil fuels while ensuring affected communities are not left behind.

2.2. **Lessons and processes from other jurisdictions**

Attaining goals like this requires sustained planning and management. History provides several examples to illustrate this. In the 1980s, for instance, the UK's coal mining industry's decline accelerated with the abrupt firing of over 25,000 miners in South Wales. The Government proceeded without any plan for a just transition or the sudden surge of unemployment for those communities in South Wales.

By 2014 – 30 years later – those communities continued to experience significant unemployment, poverty, and poor or badly diminished health. Only half the lost jobs were replaced, exacerbating an already substantial unemployment problem. Rates of unemployment remained as much as 70% higher than the UK average and 30% to 100% higher than other former mining areas across the UK. The health and well-being of the Welsh population is also low. The percent population reporting bad or very bad health was 75% higher than the UK average and nearly 130% higher than the regional average.

Between the employment and health disparities, this resulted in the South Wales population claiming disability welfare benefits standing at more than 10 percent – twice the British average.⁴ Over three decades, that resulted in a significant burden on the UK Treasury, in addition to the social and personal tragedy of lives up-ended.

Similar challenges have plagued industrial closures in Australia when one or more critical element of just transition were lacking. The Port Augusta power station is one such domestic example. It closed in 2016 with little notice and no transition plan. The government provided some transition assistance funding, but it was quite small, covering just a couple of ad-hoc grants for isolated projects. As a result, of the workers who lost their jobs at the plant and associated mine, only a third have found new employment in the area while another third left the workforce and the final third relocated to look for work.

Newcastle, NSW and Rochester, NY in the USA, offer a contrast to the UK's coal closures. They show how utilising principles of just transition to manage the process around industrial decline can empower communities to lead the change in a positive way resulting in economic and community improvement. They also demonstrate the critical role of an institution or organisation like the

⁴ Details and data from Mike Foden, Steve Fothergill, and Tony Gore. "The state of the coalfields: Economic and social conditions in the former mining communities of England, Scotland and Wales." June 2014.

Latrobe Valley Authority leading the planning and change processes, along with the perils of losing such leadership before its work is complete.

Both towns had manufacturing-based economies that came under threat in the early 1980s. Newcastle's economy had been anchored by the iconic BHP steelworks since 1914. Rochester played home to several industrial giants of America such as Bosch & Laumb and Xerox, and none more important than Eastman Kodak with its headquarters plus massive research, development, and manufacturing facilities. As industrial and economic shifts began to rock industries leading to layoffs and closures, both towns benefited from the core components of an effective just transition: planning ahead well before closures, creating a common vision to power planning, reliable funding, government and industry support, and strong leadership focussed bringing together stakeholders that provided them a common channel to work through and ensured they were able to contribute to transition planning and determining their destiny.

In the case of Newcastle, at first BHP and the unions attempted to restructure steelworks while the federal government provided financial aid following years of declining productivity and job losses. When that failed, BHP announced the steelworks' closure 30 months in advance. Soon after, community leaders stepped forward to and bring together stakeholders, ensuring meaningful inclusion and participation in articulating "a common purpose vision" for the region, establishing priority actions, and communicating with BHP and the government. This led to establishing a transition body – the Common Purpose Group – that BHP and the NSW government financially supported. With a community-led common vision and plan, over two years to plan and act prior to closure, and reliable financial support, the Common Purpose Group led Newcastle to avoid not only anticipated extreme impacts and job losses, but to job gains and strengthening the economy through diversification during and following the closure. A sizeable majority of retrenched BHP employees were reemployed in other sectors and the diversified economy has become more dynamic and future orientated. Transition progress became slower and more difficult, however, when the Common Purpose Group lost funding and ceased to provide much needed leadership, planning, and management.

Similarly, Rochester's manufacturers began to suffer significant downturns beginning in the early 1980s. As a result, community leaders began to take measures to help Rochester plan for and manage an eventual decline of its manufacturing base. As a result, when downturns started in the 1990s, while Rochester lost over 70,000 manufacturing jobs, including over 50,000 from Kodak, over the next 15 years, it also gained around 160,000 jobs, for a net increase of 90,000. Like Newcastle, the leadership came from within the community itself, a combination of Rochester's municipal government and focused civil organisations supported by state funding. That allowed for community-led planning that understood and could utilise resources such as research universities and a highly skilled and trained local work force. The organisations leading the transition also commenced planning well in advance, actively managed process, ensured stakeholders were involved, and received reliable funding. Also paralleling Newcastle, when those organisations lost funding, Rochester's transition pathway has become less robust in more recent years.

For both Newcastle and Rochester, while the benefits of earlier planning mean its economy has more resilience, absent clear and reliable leadership those gains may now be in jeopardy. Creating

and funding the LVA was an important step to empowering the Latrobe Valley community with leadership to plan and manage its own transition.

3. Responses to the Terms of Reference

Our response below are based primarily on our own experience of engaging with these issues over many years. However, to further inform our submission to this Inquiry, we distributed a survey to our supporters in the Latrobe Valley, asking a range of questions relating to the closures of power stations and mine, the Latrobe Valley Authority, and transitions more generally. We are not claiming these results to be representative of the full population, but they do provide a useful window into residents' views. Around 100 people took the survey. General points from this survey have been incorporated into our own commentary and some specific findings of the survey are included at various points below.

3.1. Closures of Hazelwood and Yallourn

3.1.1. Notice periods for closures

The impact of the Hazelwood closure needs to be considered the context in which it was announced. The closure announcement came on the back of months of denial that the power station would close earlier than 2032.

The lack of transparency and honesty about closure dates reached peak destructiveness in February 2016 when Engie management told a Latrobe Valley community forum that the Hazelwood power station would run until 2032. Just 7 months later, they announced that Hazelwood would close in March 2017 – 13 months after saying it would run for another 16 years.

This is not only problematic for energy market planning; it is also terrible for enabling the community and others to prepare for the local socio-economic consequences of closure. Each time a power station owner claims that they'll run for another 20+ years, it serves only to delay the planning that both the energy system and the local community and workforce need to do.

Misleading claims of distant closure dates also have an effect at a very personal level. We heard stories Hazelwood workers who, on the basis of assurances from management about the power station operating until 2032, had taken out loans to buy a house or a car on the assumption that their job was secure for some time to come. An episode of the current affairs program *Insight* on SBS⁵ in 2017 included stories to this effect.

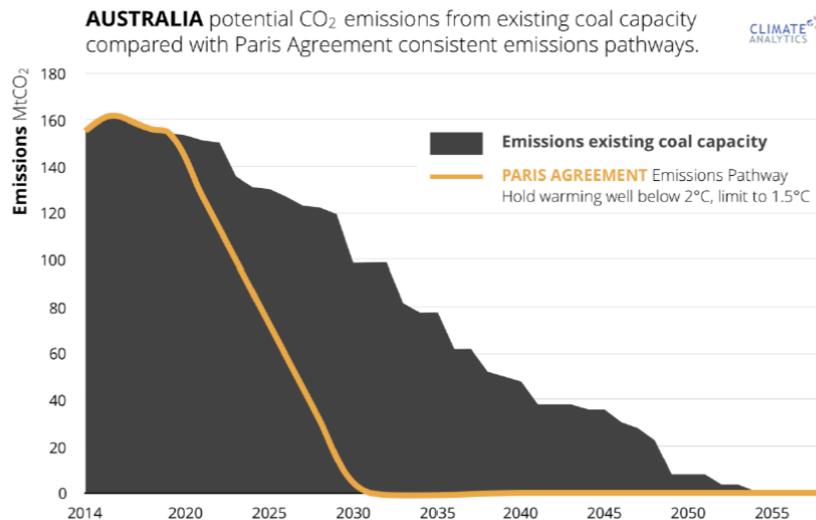
In the last 12 months, awareness of the urgency of climate action has grown, as has the understanding of the scale of measures necessary to combat the problem. The United Nations has made it clear that developed countries should have phased out coal power by 2030,⁶ and the International Energy Agency has mapped out a pathway consistent with the objectives of the Paris

⁵ <https://www.sbs.com.au/news/insight/what-happens-when-a-town-s-major-industry-shuts-down>

⁶ <https://unfccc.int/news/un-chief-calls-for-immediate-global-action-to-phase-out-coal>

Climate Agreement that involves all sub-critical coal being closed by 2030 and advanced economies having net zero electricity by 2035.⁷

Currently, the closure schedule for Australia’s coal fleet is inconsistent with a pathway to meeting the objectives of the Paris Agreement. The chart below (Climate Analytics, 2019) demonstrates that Australia’s coal generators operating under the “end of their technical lives” and existing closure dates will result in approximately twice as many cumulative emissions as a closure trajectory consistent with the Paris Agreement.⁸



Clarity around realistic closure timeframes is needed to enable institutional planning and personal decision making. The current “official” closure dates for Loy Yang A and Loy Yang B of 2048 and 2047 respectively are fanciful. AGL has so far resisted any public statement confirming an earlier closure, though they have considered a 2035 closure date in their 2020 report *Pathways to 2050*, which provided AGL’s response to the requirements of the Taskforce on Climate-related Financial Disclosures.⁹ For the sake of early planning, it has been encouraging that the CEO of Alinta has recently flagged the possibility of Loy Yang B closing in the early 2030s.¹⁰

Closure dates around 2030 are emerging as not only desirable from a climate perspective but also central to economic opportunity. In its recent *Energy Vision: A Clean Energy Future for Australia* report, Transgrid (who own and maintain the NSW electricity grid) released the results of detailed modelling of six energy market scenarios, conducted in partnership with the CSIRO, ClimateWorks and the Brattle Group.¹¹ Transgrid identifies a combination of their “Deep Decarbonisation” and “Clean Energy Superpower” scenarios as the preferable outcome – one which “holds the most

⁷ <https://www.iea.org/reports/net-zero-by-2050>

⁸ <https://climateanalytics.org/publications/2019/for-climates-sake-coal-free-by-2030/>

⁹ https://www.agl.com.au/-/media/aglmedia/documents/about-agl/investors/results-centre/2020/pathways-to-2050_130820.pdf?la=en&hash=9DC5D8FE10577CA5061ECF3A047892CB, see Table 13.

¹⁰ <https://www.afr.com/policy/energy-and-climate/alinta-concedes-coal-plant-may-shut-15-years-early-20211012-p58z8x>

¹¹ <https://www.transgrid.com.au/about-us/network/network-planning/energy-vision>

promise for Australians, in terms of decarbonisation, job creation and affordable energy prices”.¹² Those two scenarios are built on modelling that assumes brown coal power stations have closed by 2028 and 2035 respectively.¹³

This is modelling of scenarios, not predictions, but it serves as a strong indicator of the direction the energy market is heading. Ignoring the possibility that the remaining coal power stations in the Latrobe Valley could close over the next decade would be unwise. All this should be a sufficient reminder that preparations to manage the closure of all Latrobe Valley power stations and mines should start now. We see a critical role for the Latrobe Valley Authority in driving these preparations, along with other local, regional, state and national stakeholders and agencies.

3.1.2. Impacts of closures and perceptions of impacts

Even though the Latrobe Valley Authority was established only three months prior to the Hazelwood plant’s closure, it immediately dove into essential work of smoothing the transition and preparing for the closures of the remaining coal-fired power plants in Latrobe Valley. While there is room for it to improve its work, it remains in the best position to keep leading that work

Economic outcome data and community sentiment both demonstrate this. Hazelwood’s closure led to the direct loss of about 800 jobs and indirect loss of many more. Many former power industry workers and community members held considerable initial scepticism about government policy and funding commitments given the previous history of multiple unsuccessful economic renewal strategies,¹⁴ yet much feared unemployment impacts were largely averted. As seen in Figure 1, below, within two years 74% of former Hazelwood workforce in employment or not looking for work.

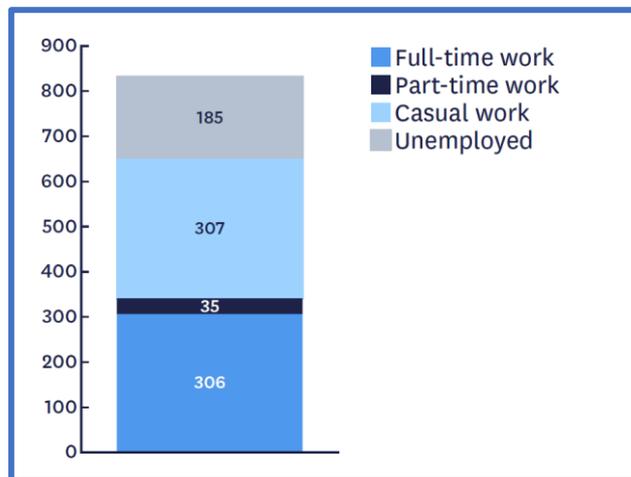


Figure 1: Employment status two years later of workers directly impacted by Hazelwood’s closure. (Source: Blueprint Institute report, Sept 2021.)

¹² Ibid, Figure 21, page 35.

¹³ Ibid, Figure 31, page 45.

¹⁴ Wiseman, J., Workman, A., Fastenrath S. and Jotzo, F. (2020), After the Hazelwood coal fired power station closure: Latrobe Valley regional transition policies and outcomes 2017-2020, CCEP Working Paper 2010, Nov 2020. Crawford School of Public Policy, Australian National University.

In fact, until the COVID-19 pandemic, following Hazelwood’s closure and creation of LVA, unemployment in Latrobe LGA fell to a decadal low, as seen in Figure 2. By comparison, industrial closures in Australia generally have led to increased unemployment for the immediate and longer term.

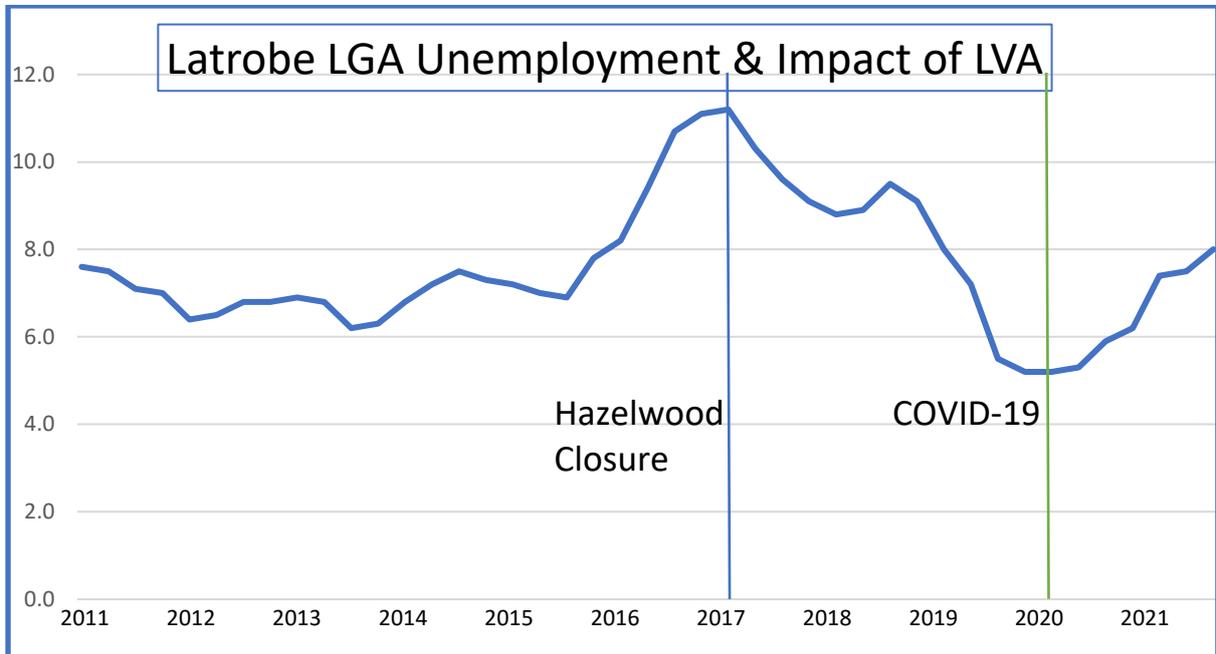


Figure 2: Ten years of quarterly unemployment rates for the Latrobe LGA. (Data Source: Australian Government National Skills Commission: Small Area Labour Markets (SALM), June Quarter 2021.)

Evidence also shows that closure and subsequent transition activities is leading to a more diverse economy that should lead to continued resilience over time. Investors are placing capital in more business across several industries and workers, including agriculture, light and heavy manufacturing, and renewable energy projects of various scales. Moreover, retraining and reskilling efforts have, by and large, provided net benefits to community residents.¹⁵

These impacts stand in contrast to many worries and expectations that Hazelwood’s closure would lead to worsening overall socioeconomic conditions and sustained job losses. The Australian power industry had shed jobs precipitously through privatisation between the 1980s and the early 2000s before stabilising. That downturn had significant follow-on impacts such as double-digit unemployment rates as businesses shuttered. Housing prices plummeted as residents relocated in search of work. Consequently, when Hazelwood’s closure was announced, many Latrobe Valley residents worried it meant even further losses and climbing unemployment and remained wary of claims of economic renewal and new industries having heard such promises in the past.

Given that context, LVA’s activities have provided some much desired and needed new directions and confidence that a transition pathway could be different, going up instead of down.

¹⁵ Barrett, T., Downey, L., Green, K., Grice, J., Guinness, H., Hawcroft, A., Steinert, J., Twibill, N. (2021) “From the ground up: A Blueprint for economic diversification in regional Australia.” Blueprint Institute.

Survey responses

When asked how they felt about the closure of coal power stations, the most common responses of respondents to our survey were, firstly, that the closures are “something that needs to happen to deal with climate change”, but also that they are “worried about what it means for the future of the Valley” and that “it is an opportunity to bring new industries to the region”.

Respondents mostly reported not being affected by Hazelwood’s closure, though they observed that people have moved away and some businesses are suffering. But there is also some optimism, with many noting a growing public discussion of transition planning and cleaner air.

When asked about how they think Yallourn’s closure will affect them or the Valley more generally, there is concern that it might be worse than Hazelwood and that a worker transfer scheme will not work as well when there is only one mine left to go to. At the same time, there is hope that better transition plans will be in place, and some think more people might move to the region once there is less air pollution.

There is a strong feeling that mine rehabilitation is a key part of transition planning. Specifically, respondents are eager for the rehabilitated mines to provide community amenity – important given the footprint the mines occupy in the region.

First Nations perspectives

The area now-known as the Latrobe Valley, is the traditional lands of the Gunaikurnai people. This region has been drastically altered since colonisation by the extraction of resources including brown coal as well as the introduction of industrial agriculture.

The Gunaikurnai believe that a healthy Country can be re-gained and that renewal is possible. Working towards this objective would empower the local Gunaikurnai and Aboriginal community and would recover and rebuild some of the knowledge about the significance and uses of plants and landforms.¹⁶

Across 2020 and 2021 Environment Victoria has been working with Gunaikurnai community members to engage Aboriginal people in the Latrobe Valley about the future of the region as it moves beyond coal. This work has also explored how to better engage and take leadership from Gunaikurnai and Aboriginal people on these issues. This engagement has taken form through 1:1 meetings, small group meetings and a community survey.

Key insights from the consultations with Gunaikurnai community leaders and other Aboriginal people residing in the Latrobe Valley are outlined below, alongside quotes captured from community members.

In short, the Latrobe Valley Aboriginal community feel they have been largely excluded from community dialogue about the future of the region. There is a low level of knowledge about:

¹⁶ Gunaikurnai Whole of Country Plan, www.gunaikurnai.org

- The status of coal fired power in the Latrobe Valley, the inevitability of plant closure, local community conversations about what transition should like and the involvement of local communities in developing transition plans;
- The rehabilitation of the Hazelwood site;
- The health impacts of coal mining and power generation on the Aboriginal community;
- The impacts on Country, water and wildlife.

“I worry about the health of our community. Young kids and the Elders I really worry about. Lung health mostly.” – community member, Morwell

“I’m a strong believer that pollution has contributed to illness in the valley. From cancer which is at a high rate here, to chronic asthma”. – community member, Glengarry

“I worry about the emissions and what have they caused us over the years. What have been the long-term effects? Health of our people is already compromised... The pollution has also spread through the land and waters. This is scary to think about and my fears are elevated to another level. We need to fix this.”- community member, Moe.

First Nations people were not informed about these issues because:

- They don’t feel invested in the coal industry in the Latrobe Valley or that benefits flow to them in any significant or material way.
- The Latrobe Valley Aboriginal community is one of the most impoverished and disadvantaged in Victoria, so numerous and basic issues that are a matter of daily survival for the local Aboriginal community remain front of mind.¹⁷
- The more immediate needs of the Aboriginal community as a result of the current COVID pandemic.
- Information is not provided in culturally appropriate formats, eg. visual and from First Nations perspectives and voices.

“Our ancestors have lived this land for thousands of years. The government digging up the earth and doing man made destruction to our land for what benefit really?? None of our people have been properly consulted particularly our elders. Messing with mother nature's beauty clearly has devastating impacts and the government seem to put money before people's health. It's criminal.” - community member, Glengarry.

“I think we should be having a big say in how things get done in our country” – community member, Churchill

Once prompted, there was significant interest in:

- Having a seat at the table in Latrobe Valley community conversations and planning decisions about the future of coal plants and the opportunities that transition and site rehabilitation

¹⁷ www.gphn.org.au/resources

could have for Aboriginal self-determination, economic sovereignty and employment in the future.

- Becoming more informed and being kept up to date about the natural and cultural values impacts of coal fired power stations and coal mining in particular, especially on waterways, groundwater and wildlife.
- The impact the coal sector in the Latrobe Valley is having on the poor health statistics and health services in the Aboriginal community.
- There was a desire that the Aboriginal community in the Latrobe Valley be brought along on the journey to determine a new economic and jobs future for the region inclusive of Aboriginal rights and interests, job creation and economic sovereignty.

“I know that they have razed all the buildings now and that there is talk of what to do with the site to rehabilitate the area. I would like to see a culturally significant space included in any plans that are made. Somewhere we can take pride that is our space, like how the Maltese community made Immigration Park at Kernot Hall. The ground would need to have a cleansing ceremony before any events or traditional ceremony could be held there.” – Community member, Traralgon

3.1.3. Economic opportunities in clean energy

While large renewable energy developments in Victoria have typically been wind farms in the west of the state and solar farms in the north, there is a growing awareness that the Latrobe Valley and broader Gippsland region can play a significant role in the state’s renewable-energy-powered future.

Renewable energy projects bring investment and job-creation. The recently released *Victorian Renewable Energy Target Progress Report*,¹⁸ the approximately 3,500 MW of renewables projects currently in development are supporting around \$1.2 billion in capital expenditure and approximately 1200 jobs. Currently none of these jobs are in the Gippsland region (figure extracted from the VRET progress report).

Table 5: Overview of renewable energy project development activity in Victoria during 2019-20, by region²⁷

	Capacity (MW)		Capex (\$m)		Jobs	
	Wind	Solar	Wind	Solar	Wind	Solar
Barwon and Great South Coast	815	0	717	0	372	0
Central Highlands	1,152	0	786	0	299	0
Goulburn	58	110	73	17	54	64
Loddon Campaspe	0	15	0	23	0	83
Mallee	0	425	0	301	0	390
Ovens Murray	0	209	0	128	0	107
Wimmera Southern Mallee	437	0	193	0	103	0
Total	2,461	759	1,769	469	828	644

Source: Information sourced directly from project proponents and publicly available information from project websites and media articles.

¹⁸ <https://www.parliament.vic.gov.au/council/taled-documents/search-tabled-documents/details/3/10820>

The Latrobe Valley has two key assets that it can leverage to ensure these economic opportunities are secured for the region. The first is the major transmission infrastructure linking it to Melbourne. The second is the highly skilled energy industry workforce. For these reasons, clean energy would be an appropriate focus with the LVA's "Smart Specialisation Strategy".

In other parts of the state, grid constraints are emerging due to a lack of necessary grid infrastructure. The Latrobe Valley has no such problems, due to the capacity that was put in place to enable coal power to flow to Melbourne. This makes it a perfect place for renewables development, including projects such as the Delburn Wind Farm. Further, geographic diversity in renewable energy projects is useful for maintaining supply – that is, if all wind farms or solar farms are in one part of the state, they will all be affected by lulls in wind speeds or by regional cloud cover. Even if the underlying resource may not be as strong, the diversity is valuable.

The state government committed \$540 million in the November 2020 state budget to establish six Renewable Energy Zones across the state, with Gippsland being one of those zones. Investment is needed to ensure the range of renewable opportunities in Gippsland (beyond the Latrobe Valley) can be pursued. The Marinus Link transmission project (adding a second link between Victoria and Tasmania) could open up additional opportunities.

Leading projects beyond the Latrobe Valley include the Star of the South offshore wind farm and the Gippsland Renewable Energy Park. There is potential for further projects such as these that capitalise on the same resource. Offshore wind in particular will provide a very valuable addition to Victoria's electricity system, as the wind resource is typically stronger and more consistent than on-shore.

3.2. **The effectiveness of the Latrobe Valley Authority**

3.2.1. **Perceptions of the Latrobe Valley Authority**

The Latrobe Valley Authority enjoys an overall slightly positive perception with stakeholders across metrics. This comes through in surveys, polling, and statements from Latrobe's community members. Looking at Environment Victoria's supporter survey from earlier in 2021, 55% of respondents said that the Government should extend LVA funding at least until the last power station has closed, with 32% undecided and only 13% opposed (Figure 3). Moreover, 32% also said that the LVA should be made a permanent agency.

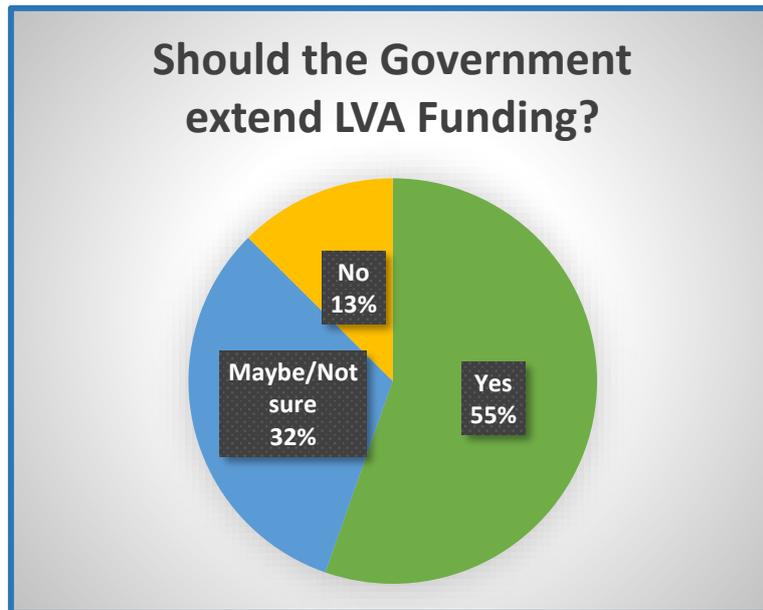


Figure 3: Response of Latrobe Valley residents surveyed in July 2021 regarding whether the Government should extend the LVA's funding.

This remains broadly in line with an opinion poll commissioned by Environment Victoria and conducted in 2019, approximately two years after Hazelwood's closure and the start of LVA's activities. That poll reached a representative sample of 450 Latrobe Valley residents. Of those, 62% favoured making the LVA permanent, and with expanded mandate and increased funding while 20% would have ended funding.¹⁹

The LVA itself asked for community feedback via "community postcards" and received about 200 responses. While not a fully representative sample for the entire region, 83% of respondents said the LVA's efforts have benefitted the region or its residents and 89% said they have gained confidence about the future of the region.

Successes of the LVA reported by survey respondents centred on the support provided to workers affected by the Hazelwood closure, with some also noting improvements in sporting facilities and better community engagement on various issues. Feedback on how the LVA could be more effective focused on doing a better job of articulating what it has helped deliver – too many people aren't aware of what it is actually doing.

3.2.2. The need for a dedicated agency to oversee transition design & implementation

Decades of experience from industrial closures in Australia and around the world, and research on their impacts, identifies the critical importance of six elements to position a community for successfully navigating a just transition when major industries close and lead to far better employment, economic, social, and environmental outcomes:

- A dedicated transition authority that can guide planning and implementation of transition policies

¹⁹ Lonergan opinion poll, July 2019. <https://environmentvictoria.org.au/2019/07/29/yallourn-power-station-expected-to-close-sooner-than-planned-poll-finds/>

- Community-driven approaches that ensure impacted workers and communities are actively involved provide an important basis for creating and sustaining the social license for just and rapid decarbonisation
- Proactive planning well in advance to support workers finding new employment, retraining, and reskilling, as well as attracting investment in innovative new industries
- Comprehensive planning that accounts for other key community resources such as health, food, education, energy, services, and transport and communications infrastructure
- Long-term funding commitments that match the timescale required for transition
- Mission-oriented policies, such as smart specialisation industry strategies, that build on regional strengths

4. Conclusion and priority areas for action

We welcome this Inquiry's efforts to understand the impacts of power station closures in the Latrobe Valley and to assess the effectiveness of the Latrobe Valley Authority. It is an inquiry into a significant socio-economic challenge and a critical issue that needs to be addressed by public policy. We are hopeful that the Inquiry will produce strong, cross-partisan recommendations that provide clarity to policy makers and a framework within which businesses and community members can start planning the transition that is facing the region.

In addition to our broader points throughout this submission on how we think agencies should approach transition planning, we make four specific recommendations that we hope the Inquiry will endorse:

Recommendation 1: The state government should work with AGL and Alinta to establish a narrower window of more realistic closure timeframes, informed by both market dynamics and decarbonisation imperatives, so that transition planning for the retirements of Loy Yang A and B can begin in earnest now, rather than continue to be delayed by "official" closure dates in the late 2040s.

Recommendation 2: The state government should continue to strive to ensure the best environmental outcomes from mine rehabilitation and the clean-up of legacy contamination, with an additional focus on First Nations cultural and job-creation opportunities and creating on-going economic activity in the region.

Recommendation 3: The state government should establish the Latrobe Valley Authority as a permanent statutory authority, with secure on-going funding and an enhanced remit for overseeing broader transition planning. This should include resourcing for the development of a community-driven plan for economic and socio-cultural diversification.

Recommendation 4: The state government should prioritise regional opportunities in clean energy, with targeted financial, regulatory and ancillary support for key renewable energy and storage projects, including early investment in establishing and expanding the Gippsland Renewable Energy Zone.

In our supporter survey, when asked what the Victorian government should do to support the Latrobe Valley community through future coal fired power station closures, the top five responses were:

- Make sure mine rehabilitation is done well
- Keep the Valley as a hub for the energy industry, focused on renewables and storage
- Support workers to re-train for other jobs
- Get clear and realistic closure dates from other power stations, so proper planning can start
- Get the Federal government to contribute funding

We would be happy to provide any further support to the Inquiry in furtherance of these recommendations or to elaborate on the content of this submission.

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APPENDIX

A selection of verbatim quotes from our survey respondents is provided below, in response to the question:

What do you think needs to happen to set the Latrobe Valley community up for success as the other coal fired power stations close?

“A clear transition plan that is based on a sustainable and cleaner future for the region. This needs to be based on community wishes and needs and give a future that instils hope. The region cannot be expected to carry the burden for heavy industry after the Power Stations close. We need to move from polluting industries and re-shape the future of the region with the community. More people want clean air. More people are now aware of the health impacts of pollution. We need leaders and we need hope. We need to know that we can have a better future and that the powers in charge believe we are worthwhile of this better future. Our recent history with the Hazelwood Mine Fire has only reinforced a broader negative attitude towards the valley. The people who live here feel this negativity. It shapes us. It defines how we see ourselves. We deserve better! We deserve a transition plan that celebrates our region, not one that side steps the community and is designed purely for a few vested interests.”

“Retraining of employees so they can move successfully into other jobs; perhaps installation of local wind/solar farms. LV is so well situated for industry with rail and road access and many huge, unused industrial sheds. Industry could include plastics recycling plant, electric car plant (promised but not delivered). Youth drug and alcohol rehab centre needed. Use our existing beautiful natural resources to attract visitors, eg, Tarra Bulga, Morwell NP and further develop others, eg, Wirilda Park/walking trail at Tyers, use the Latrobe River more wisely and create a canoe/kayak trail and landings to launching on the Latrobe River from Lake Narracan to Rosedale, create more connecting bike paths so families can get out and about safely and off the roads. Tapping into local indigenous knowledge and make it more visible. Visible street art, youth theatre/performing arts (in our beautiful new performing arts facility), free and accessible BMX style park for older youth that is not stuck away in a corner like the existing skate park, community gardens (Foster uses its roundabouts for growing vegetables). Tapping into rural jobs for town kids (eg, shearing, milking) maybe networking more with senior schools.”

“We need to have honest and open communication from both the State Government and the energy companies about the transition. The community needs to be included in the conversation which has not happened previously. There needs to be adequate funding provided to properly transition LV into a new future. There needs to be more investment into diversifying the area and in green renewable technology.”

“Stimulus to create and expand many diverse businesses and industry. Innovation, R&D, new renewable energy development. Fed Uni and TAFE Gippsland training courses. Encourage a holistic economy for people and families to stay and contribute to a great lifestyle in a beautiful part of Victoria. Take advantage of opportunities offered by rehabilitation of mines.”