



Victorian Trades Hall Council submission to the Victorian Parliamentary Inquiry into the Closure of the Hazelwood and Yallourn Power Stations

31 August 2021.

VTHC welcomes the opportunity to make a submission to this inquiry. VTHC and the unions it represents are supportive of the Victorian Government's commitment to decarbonising the Victorian economy and to the transformation of the electricity generation system that this requires.

In this submission, we do not comment on the technical aspects of power system transformation, but focus on the ramifications for workers in the generation industry, their communities, and Victorian workers and communities more generally.

VTHC has produced a strategic policy document focused on the transformation of the Victorian economy to a sustainable pathway. We attach it to this submission. It can also be found here: <https://www.weareunion.org.au/climatejustice>.

This document sets out the principles and policies that Victorian unions consider should guide the transformation of the electricity generation industry in a just and effective manner. While we refer the inquiry to the full report for details, we identify the key aspects relevant to this inquiry below.

Principles for a Just Transition of the Victorian economy

1. Directly affected workers and communities must be at the heart of all planning, decision-making and action;
2. Workers and their communities from carbon intensive sectors should be better off. This includes workers and communities that already find themselves detrimentally impacted due to closures in carbon intensive industries;
3. Australia's economy should have an emissions profile consistent with the goal of keeping global temperature increase to 1.5C, which all scientific bodies and agencies agree will help to minimise the damage caused by climate change, and

which the Australian Government has committed to through the Paris Agreement process;

4. Action must be commensurate with the risks we face, namely that the current high risk requires a comprehensive response;
5. Management of the transition cannot be left to the market. It requires detailed planning and investment, including public ownership, and intervention by all levels of government;
6. Government decisions and planning should maximise the opportunities presented by the transition to a sustainable economy;
7. Transition processes should be inclusive and aim to reduce social and economic marginalisation, including of A&TSI and migrant communities;
8. New energy forms must have a social licence to operate, including and specifically from A&TSI Traditional Owners. This includes any changes to land use, the ownership models of energy generation and genuine job creation for A&TSI communities;
9. The costs and benefits of the transformation should be widely and fairly shared and Victoria's welfare, broadly defined, should be improved by the transformation;
10. Transition strategies should contribute to the eradication of gender inequality by improving women's socio-economic status, security and wellbeing, and facilitating the full participation of women in all sectors of the workforce; and
11. Victoria's environment, natural and urban, should be improved by the transformation.

Transformation of the Victorian electricity generation sector

Electricity generation causes 52% of Victoria's greenhouse gas emissions.

We acknowledge that the first stage to decarbonising the economy, as a whole, is to work with the energy sector to address its decarbonisation. Consistent energy policy is vital to investment planning, for both the public and private sectors, and to give confidence to industries, workers and communities that they can plan properly for transition. In the post-Covid-19 recovery, transformation of the energy sector to renewable energy will create substantial numbers of direct and indirect jobs, provide lower-cost energy for households and businesses, enable the development of renewable energy product markets and supply chains, and secure existing, and open up opportunities for new industries.

There are many challenges in transforming the generation and distribution of electricity. The main challenge, obviously, is decarbonisation. Reaching the state government's target of zero net emissions by 2050 will require the closure of the remaining fossil fuel generators and their replacement with various forms of renewable energy and storage, plus substantial improvements in energy efficiency. It also requires upgrades to the electricity distribution grid, including improved connection with other states.

One of the biggest challenges in decarbonising the electricity system is to ensure that the interests of the workers and communities who built and have driven the system that has underpinned the state's prosperity for so long are at the forefront of the transformation process.

Given the number of coal-fired power stations that have closed in recent years (around one third between 2012 and 2017), the commercial decisions of owners to reduce maintenance and maximise profits in a context of challenging wholesale electricity prices,

and the strategic intention of some owners to reduce their carbon emissions, it can be expected that other power stations will close earlier than their nominal technical lifespans.

For Victoria, the forecast closing dates are: Yallourn in 2032, Loy Yang A in 2048 and Loy Yang B in 2038. However, as the experience of Hazelwood's closure demonstrates, and as the CFMEU Mining Division can attest, the impact of energy companies unilaterally closing plants, without adequate consultation with workers, can be hugely damaging.

Hence future closures must be accompanied by adequate warning and full processes for workforce transition agreed between workers and their unions, government (including regulators) and owners, including the following elements:

1. Guaranteed new employment for all current workers who want it;
2. A job transfer scheme between closing power stations and those yet to close, with an obligation on employers to employ first from a redundancy pool;
3. Guaranteed job transfers into new energy sector jobs, including offshore wind, other forms of renewable energy generation, site rehabilitation and hydrogen manufacture;
4. Retraining for all workers who want it;
5. Enhanced redundancy, retirement and wage maintenance schemes for power station workers;
6. Mechanisms to hold companies to account for closure dates and redeployment, retraining and other commitments;
7. A plan for the replacement generation and its location;
8. A plan for the grid upgrades necessary to facilitate the energy transformation; and
9. Committed funding from employers and governments to ensure all elements of the plan are implemented.

Additionally, the following framework policies are needed to facilitate the energy transformation:

- Emission reduction targets that are compatible with keeping temperature increases to 1.5 degrees;
- Ambitious renewable energy targets that maximise the development of the renewable energy industry;
- Commitment to public agencies sourcing their energy needs from renewable energy sources, through, for instance, power purchase agreements with renewable generators, and installation of solar power on schools, TAFEs and early childhood centres, and other government buildings;
- Direct public investment in renewable energy generation;
- The Victorian Government should establish a renewable energy generation authority to build, own and operate renewable energy assets;
- Support for the development of an offshore wind industry based in Victoria with a view to supporting its expansion across the rest of Australia and our region;
- The establishment of industry-wide collective bargaining in the renewable energy industry involving the relevant unions, with a commitment to improved terms and conditions of employment, including a preference for ongoing employment. Further, all government-funded projects should be used to establish good employment terms and conditions;
- Encourage energy efficiency, including by mandating installation of solar hot water systems in new houses, improved star-rating systems, mandatory efficiency standards in rental properties, and upgrades to public housing;

- Improve infrastructure and regulation for electric vehicles (EV) and other incentives to maximise uptake of EVs, and EV sharing schemes, including purchase of EVs for government fleet use; and
- Support for community-owned energy generation and retail projects.

While transforming the electricity system to renewable energy is complex, it is now clear that the technologies exist to achieve this in a relatively short timeframe. This transformation, if done properly with workers and their communities at the centre, can provide substantial opportunities in:

- New renewable energy generation and storage construction, operation and maintenance;
- Grid infrastructure upgrades;
- Production of zero-carbon hydrogen;
- Mine and power station decommissioning, noting that while restoration of mines is required by legislation in Victoria, there is no similar requirement for industrial sites, including power stations themselves (as distinct from their associated mines). The Victorian Government should legislate to require the dismantling and restoration of industrial sites after closure;
- Decommissioning of offshore oil and gas infrastructure as it closes (or, as in now becoming possible, conversion of platforms to hydrogen production); and
- Installation of renewable energy and storage in homes and commercial premises.

The Australian Energy Market Operator (AEMO) estimates that Australia requires 30-47 gigawatts of renewable energy to be constructed by 2040. This number could be substantially increased if Australia were to realise some of the potential of renewable hydrogen and become a renewable energy exporter. There are currently 30 gigawatts of solar and wind projects with planning approval. Bringing these forward with the right policies would deliver 50,000 direct jobs across the country (many in Victoria) and many more indirect jobs.

While these are some of the opportunities directly related to electricity production, ensuring the job futures of workers and economic wellbeing of communities will also require economic diversification into other activities and sectors.

What is need above all else, if we are to avoid power system failures and worker and community dislocation, is a *plan* for the transformation of the energy system. Without one, it is impossible for workers to plan their futures, communities to be assured of their prospects, and the elements of the transition described above to be properly implemented.

VTHC strongly encourages the inquiry to recommend that a long-term plan for the transformation of Victoria's electricity generation and distribution system is developed, with workers and their communities at its centre.

For further information about anything in this submission please contact: Dr Colin Long, VTHC Just Transitions Organiser, [REDACTED]; [REDACTED]