

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into the Closure of the Hazelwood and Yallourn Power Stations

Traralgon—Wednesday, 24 November 2021

MEMBERS

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Mr Rodney Barton

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Ms Wendy Lovell

Mr Andy Meddick

Mr Craig Ondarchie

Mr Gordon Rich-Phillips

Ms Harriet Shing

Ms Kaushaliya Vaghela

Ms Sheena Watt

WITNESSES

Mr Dan Caffrey, President, and

Ms Lorraine Bull, Member, Latrobe Valley Sustainability Group.

The CHAIR: The Economy and Infrastructure Committee public hearing for the Inquiry into the Closure of the Hazelwood and Yallourn Power Stations continues.

I wish to begin by acknowledging the traditional owners of the land, and I pay my respects to their elders past, present and emerging. I wish to welcome any members of the public that are watching here today.

My name is Enver Erdogan, and I am Chair of the committee. I would like to introduce my fellow committee members that are present: Mr Rod Barton, Ms Melina Bath, Ms Harriet Shing, Mr Lee Tarlamis and Mr Andy Meddick.

To witnesses appearing, all evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide at this hearing is protected by law; however, any comments repeated outside the hearing may not be protected. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a transcript after the hearing. Ultimately transcripts will be made public and put onto the committee website.

We welcome your opening comments but ask that they be kept to a maximum of 10 minutes to allow plenty of discussion and questions from the committee. Could you please begin by stating your names for the benefit of Hansard and then start your presentations. Over to you, Lorraine and Dan.

Ms BULL: Lorraine Bull, past president of the Latrobe Valley Sustainability Group.

Mr CAFFREY: Dan Caffrey. I am the present President of the Latrobe Valley Sustainability Group.

The CHAIR: Thank you for that. Over to you.

Ms BULL: The Latrobe Valley Sustainability Group is small in number but big in heart, and we thank you for the invitation to speak with you today. Dan and I are both current long-term residents of the Latrobe Valley, and we are committed to the successful low-carbon future of the Latrobe Valley and Gippsland more broadly. Our group focuses on climate change and its causes and effects. The power stations of Latrobe Valley have contributed to the accumulation of CO₂ in the atmosphere over the past century, leading to climate change. Dan will talk more about that shortly. I was recently a member of the DELWP Gippsland regional climate adaptation strategy working group. This report is awaiting release by Minister Lily D'Ambrosio.

The presence of the power stations has been a mixed blessing in many ways. There was stable employment and social integration for many, but the benefits were not shared equally and there is still an underprivileged section of the population who need continued assistance. The power stations unfortunately released pollutions, which have adverse effects. This was highlighted in the recent parliamentary inquiry into air pollution. It noted that statistically Latrobe Valley has above average rates of cancer, respiratory and cardiovascular illness and asbestos-related disease. Power stations have been embedded in our local culture for many years. It has led to adverse effects being tolerated and even ignored, but the new EPA Act creates a general environmental duty, which creates an obligation to not pollute.

The outcomes of the Glasgow COP26 are still being assessed, but it is clear that there is a global commitment to phase out the use of coal. Fortunately, Victoria already has emission reduction targets and investment in developing renewable energy projects and infrastructure. But as brown coal is the most polluting CO₂-intensive fuel on earth, pressure will fall very heavily on Latrobe Valley power stations for an early closure, adding to the need to transition to a new economy more rapidly.

Latrobe Valley has underpinned the economic development of Victoria, and I believe that Victoria and the federal government have an obligation to support the Latrobe Valley workforce and community with a just transition. This means that workers are offered counselling, compensation, retraining, voluntary redundancy or alternative jobs in demolition, retraining or the new uses that the mines might be put to. This could range from renewable energy facilities on sites or nurseries growing vast amounts of vegetation needed for rehabilitation or even glasshouses with food production.

‘Just transition’ means that local businesses will continue to supply the goods and services and the education facilities to develop new courses for emerging businesses and that inducements are offered to attract new businesses and industry and develop new innovative ideas here. ‘Just transition’ means that the community is not abandoned. It is the responsibility of the whole community to have a say in what this community will look like. We expect leadership from the Victorian and federal governments, from Latrobe City and from the power companies, which have profited from the extraction of coal over the past decades. We should not forget that there have been workplace deaths and injuries and entrenched illness which has affected the whole population.

We propose that as part of the support there should be an establishment of the future Latrobe Valley community fund, because power companies currently support many community activities. That support is likely to disappear in the future. The power companies will make an annual contribution to the fund, which is invested, but no grants are approved until after Yallourn’s closure, which allows for capital accumulation. The fund would also be open to contributions from other sources.

Privatisation, and the Hazelwood closure to a lesser extent, has plunged Latrobe Valley into the doldrums. But we have learned from this experience, and we now realise that change presents opportunities. We support the development of the Gippsland renewable energy zone and the many proposed and progressing renewable energy developments which take advantage of our grid access, land, skilled workforce, solar and wind resources, water bodies for pumped hydro and floating solar as well as emerging resources such as geothermal and bioenergy.

Hydrogen is seen as the fuel of the future, and billions of dollars are being invested in its development, particularly by governments and ‘Twiggy’ Forrest. The Gippsland hydrogen hub is being developed around the HESC project out at Loy Yang. We consider that green hydrogen is good, but the Latrobe Valley Sustainability Group has difficulty in accepting the HESC project due to the continued burning of brown coal and the as-yet-unconfirmed carbon capture and storage.

A bit like financial investments, the economic base needs to be spread across many sectors for stability. Latrobe Valley has managerial expertise, project management, innovators, great engineers, skilled labour and educators developing the skills for the future. Additional energy-related ventures could include the manufacture of wind turbine components, solar cells or floats for floating solar. Other important sectors in our economy include tourism, health and food and fibre, including food processing. Education and social services are also large employers. There are jobs in retrofitting and constructing energy-efficient buildings, which require many skills. This work then enables greater comfort within the buildings, reduced power bills and lower emissions in running those buildings. The circular economy creates opportunities to do more with less and conserve resources.

Our natural environment is very important to us, and we value our parks, rivers and forests. Proper maintenance will create jobs and connection with Indigenous groups. Progress is being made in the creation of the Alpine-Strzelecki biolink development to create a wildlife corridor from one side of the valley to the other. Agrisolar will create dual incomes, new income streams for farmers who may also be able to take advantage of the emerging soil carbon credit market, which can also assist urban businesses to offset their emissions. Transition should be used to enable economic benefits to be spread across the whole community and create employment opportunities for all abilities. As always, it is preferable to source materials and labour locally, thereby supporting existing businesses and offering expansion opportunities.

The Latrobe Valley Authority was hastily created to assist Hazelwood workers and support the local economy. It is maturing into an innovative Gippsland-wide organisation which has shown a willingness to think outside the box. We believe that the Latrobe Valley Authority should be properly funded until closure of the power stations to allow retention of its experience and the connections which have been developed. It has developed many projects, such as the microgrid trial in Heyfield, and needs to continue until these projects are finalised. It

has been an advantage to have a lead organisation which is authorised to explore and implement new ideas, something which shows how Latrobe Valley can be a change leader. Adequate funding must be provided now and into the future to enable transition planning and the establishment of new businesses.

I want to emphasise that Latrobe Valley has given much to Victoria in the last 100 years. It is now time for Victoria and the federal government to step up to support us in a transition to a sustainable low-carbon economy and future.

Over to Dan. I hope we have got a few minutes for him to show his slides.

Visual presentation.

Mr CAFFREY: Okay. I thought that because a lot of parliamentarians do not seem to have a science background—I know Melina does—there is a misunderstanding about how urgent climate change is.

Starting 250-odd years ago we had 50 per cent less carbon dioxide in the atmosphere than we have got now. The reason why this is increasing is the burning of fossil fuels. That coal—there was a greenhouse earth 330 million years ago when there was probably 1200 or so parts per million CO₂ in the atmosphere. What brought that down was the growth of the massive forest over 50 million years and it sequestered all that carbon down to about the levels that we see today, or actually less. What we are doing now is putting that carbon back in. We are digging it up—it has been hidden there from use for millions of years, hundreds of millions of years—and we are loading up our atmosphere with it, more than what we evolved to use in a circular cycle, the carbon cycle. We are at this stage now where we have got warming.

If we look at combustion, and I will not go too much into this, but obviously 12 grams of carbon reacts with 32 grams of oxygen to give you 44 grams of carbon dioxide. So with brown coal being almost pure carbon, you can say that for every megawatt hour you are getting 1.3 tonnes of carbon dioxide. That is worse than black coal, which will be less than a tonne of coal burnt to give you a megawatt hour. So if we really want to have a big bang for our buck, we just need to stop burning the most carbon-intensive fuel on the planet, which is brown coal, and the speedier close of rather than just Yallourn, all the power stations and replace them with renewable energy. That is going to make a big bang for buck in getting our carbon emissions down.

We have seen all these things from, you know, the storms in the Strezleckis and the sea level rise at Inverloch, the bushfires, extended drought. These things are all the symptoms of climate change, the effects of climate change, so we obviously need to prevent any more warming. With 1.2 degrees of warming, we are seeing this, and it is not only here but it is all over the world. All of those things are due to a warming climate. Half of the Great Barrier Reef has gone in Australia. We have just seen the terrible storms in the Strezleckis. It is actually reducing the level of height of the trees, the average height, because where there are violent weather events it actually trims off those big trees, and we are changing the ecology of that very special and productive environment in Victoria.

But with this need to change, we can develop opportunities and there is a list of those there. The things that the Latrobe Valley has is that we have already got a very reliable, centralised electricity grid. The transmission grid starts from here and goes all over Victoria. We have got a skilled, diverse workforce here. We have had experience in dealing with past power station closures. We have got a great appetite for developing these new clean industries. People want them here. The LVA is already in place to deal with the change. We have got land already zoned for heavy industry, especially around Morwell, and the impetus is driven by people realising that we need to change, we have to change.

All these things are possible here. We know that green electricity will be cheaper so manufacturing is going to be cheaper because it uses energy. So that will be a great opportunity for small businesses, large businesses, to settle here and be right near where a lot of it will be generated. A lot of it will be taken in the Marinus Link and the offshore wind farms. It all comes to Hazelwood's switchyard. Hot aquifer geothermal is a possibility because it is actually 4 kilometres down underneath the surface here. We have got a resource there that can be used for geothermal electricity production. The pool is using a source—from higher up, of course, not so deep—already to heat the pool. Developing pumped hydro in Gippsland—there are a lot of places potentially for this. Even in New South Wales there are private landholders doing this—setting up these schemes. Floating solar farms—I am glad Nina is not here to see this. These are options for the pit lakes that will probably need to be developed. You mentioned before the physical reality of stopping the aquifers underneath from erupting.

That has to be addressed—and having that weight taken off them. They will erupt if the pressure is not released in the aquifer. Now, that would have to be forever—okay—for as long as humans are living here. Biochar is a very much underused resource at the moment. There is a lot of waste wood, and buffel grass could be grown just for the generation of electricity from thermal sources. And obviously recycling would be a big thing as well.

Other potential industries do not concern energy, of course, but these ones are all possibilities. We need expertise in renewable energy techniques, so they are jobs, IT jobs. Opal are talking about making cellulose-based products with their wood. Timber production, largely based on the plantations that we have got here, would be very useful. Horticulture and value-adding in agriculture, using regenerative farming techniques are all possible. Farmers are keen to do it. It is going to make their farms far more profitable, and obviously we have had a go at electric vehicle manufacture here. Tesla may even set up a base in Australia in the future, so let us look out for that. And obviously recycling is going to provide a lot of work.

Mine rehab—well, just on that I do not think we can take from the environment anymore. We need a desal plant maybe near Yarram somewhere. It is a way of getting water to fill these things. It will take maybe 70 years or so—well, until 2070, which is 50 years, to get them filled. It is a possibility. But the Gippsland Lakes cannot sacrifice any more water. The Thomson River dam has taken 40 per cent or so already from Melbourne. Carbon-negative opportunities—these take carbon dioxide from the atmosphere. All of these methods could be used for that.

The CHAIR: On that point, Dan, I might try to allow time for discussion.

Mr CAFFREY: Okay. I had finished anyway.

The CHAIR: Excellent. Perfect. So I might go to Ms Bath to ask the first question, and then we will go around.

Ms BATH: We have just had one with the lot from Latrobe Valley Sustainability Group. There is a lot in the presentation that you have just provided us, and there is near and far planning that needs to occur. I have written so many notes I am not sure where to start, but I guess I would like to almost go back to a real fundamental about infrastructure that needs to be in place for this region to grow. I would like your opinion, which probably you have not touched on there, in terms of road and rail infrastructure and the importance of that in our region. We want this region to grow and prosper, but where do you see, and what do you see being required from that perspective?

Mr CAFFREY: Well, as well as far as rail goes the thing that has been an issue with me every time I go to Melbourne is just the bottleneck between especially Dandenong but also Pakenham. If you get stuck behind a suburban train, your 2-hour trip becomes about 2 hours 30 if there is a slight hitch there. So passenger wise and for commuters that link between especially Dandenong, but we need Pakenham now because the suburban system goes there, the metro. So that would be a big one. Obviously we want to see more freight put onto rail rather than road, and I think we need to definitely keep in mind rail for the heavy-duty stuff rather than getting it onto our highways. I think the Productivity Commission has said that it is so much more cost effective to do that because the road maintenance Bill is enormous because of mainly heavy vehicles.

Ms BULL: I suppose ideally we should have a third rail line, but I am sure that is not possible since the—

Ms BATH: Sky rail might have interfered with that.

Ms BULL: Since the sky way, yes.

Mr CAFFREY: We have passing loops—

Ms SHING: That is right. That is what we're doing now, the passing loops.

Ms BATH: If I can do a quick supplementary, thank you, Chair. You spoke quite a lot about water there, and you spoke also about green hydrogen, which has great potential. What you need for green hydrogen is water because you basically split the water into hydrogen and oxygen, so it is not the solar panels that make the hydrogen. They provide the energy to do the splitting or the hydrolysis. So part of your solution, how do we

provide that water for that, noting that this is a parliamentary inquiry and there need to be government directives around it and all governments need to have a reasonable feasibility rather than a wish list?

Mr CAFFREY: Hydrogen, yes, absolutely does need water, but we are not talking about something that is going to feed the world. The water supply for hydrogen is not going to be probably as much as any of the power stations are using now. Seventy gigalitres a year goes up through the cooling towers. We certainly will not be using that for green hydrogen-based production here. What I would envisage is that your stations eventually have hydrogen fuel cell trains, so there might be a solar farm connected into a station where there is an electrolyser there on site to actually make the hydrogen there and refuel the trains with the hydrogen so they can travel around the state like that—not only here but a lot of places. So hydrogen is right. I think the best way of transporting it is converting it to ammonia and then liquid transfer, but you can have other forms of more localised production like the example I gave there as well.

Ms BATH: And from waste sources as well, municipal waste potentially.

Mr CAFFREY: Yes, why not, because to make green hydrogen you need to desalinate the water first, so it is quite possible, yes.

The CHAIR: Thank you. I might go to Ms Shing to ask the next couple of questions, but if we can keep it short, committee members, because I am particularly aware of lunch.

Ms SHING: I respect your recommendation and authority in this matter, Chair, and I will do my very best.

Thanks, Lorraine. Thanks very much, Dan, for that. Just going directly to the terms of reference which talk about the role of the Latrobe Valley Authority in the context of transition and economic development in light of the closures and the notice period in particular that we have got now, which we did not have from Hazelwood, from the Yallourn power station—and as you have indicated, Lorraine, in your presentation, it is a significant improvement from what happened with the SEC and privatisation in the 90s—I want to touch on a combination of things that you have both spoken to that go to the work of the LVA to develop business opportunities and jobs and transition and development and the extent to which that actually ties in with the priorities you have identified. Just thinking off the top of my head, we have had investments facilitated through the LVA as the state government here in the valley: in biochar; in biogas; in energy from waste; in aquaculture, which is another use of closed-market opportunities; and in renewables, including investment in solar—and we have got Solar Vic here, or just down the road in Morwell. Anaerobic digestion has been another piece of work done tying in with biochar and other investments. And then there are also the skills and training to develop capability in those areas, which Lorraine spoke directly to—what you have outlined as a just transition and that multigenerational work that is required. So I would like to seek your view, given what I have listed, around what the LVA has been facilitating, the way in which that feeds into the priorities that you have identified and how you would like to see that continue into the future as we diversify the economies and transition to a range of different skill sets and job opportunities.

Ms BULL: Yes, well, I think the things which you mentioned by way of bioenergy and biochar and other more experimental things are activities which only a body like the Latrobe Valley Authority can assist with and fund. Businesses will start doing this sort of work, but they will still need government support to continue research and development, to do feasibility studies, to bring it to commercialisation before it is actually going to be of value in our economy. The Latrobe Valley Authority has got involved in a lot of aspects of economic activity which probably would not have happened without them. I have to confess that I have been closely involved with the Latrobe Valley Authority through their smart specialisation and through being on the Gippsland Climate Change Network board. So we have taken on the projects for bioenergy, to look at growing biocrops, and looked at pyrolysis. We have been involved with assessing the re-use of solar panels and also with the community power hubs. A lot of funding has come from the government and the Latrobe Valley Authority to do this sort of work.

Ms SHING: So do you think people are aware, based on the work that you have been doing as the sustainability group and the cavalry that sits behind you, of the work of the LVA to drive and develop transition, and how do you see that evolving over time?

Ms BULL: Look, I see the public perception of the Latrobe Valley Authority as probably underinformed. They do a lot of work with various businesses and community groups, but they do not go out and say, 'Hey,

look what we've done. We've created X amount of jobs. We've spent billions of dollars, millions of dollars, in doing this and this and this'. But they are not actually bringing it all together to inform the community. Would you agree with that?

Mr CAFFREY: I think some people badmouth them if they develop something—the Warragul project and Heyfield. Local citizens here—

Ms SHING: Covers the three shires, doesn't it?

Mr CAFFREY: Yes, it does. That is right. Also, why spend the money here? The coalmine closed here. But we know that they have basically done a good job with what they have done.

Ms SHING: The LVA has produced numerous reports, and we know from the presence of engagement with everything from GROW Gippsland through to agribusiness and the food bowl work, agricultural production and productivity enhancements and then working alongside community organisations like the health advocate and health assembly that they are out there. But where are the sticking points that you see around community buy-in and perhaps that community confidence in light of the history that we have got here in the valley?

Mr CAFFREY: That is something that I cannot answer because basically my only connection has been when they have come to speak to us at our meetings and explain what they are doing, which has been great. But apart from that I am still working—part time, anyway—and some of the things they have presented are just not accessible to me. But Lorraine has been to a few.

Ms BULL: It is probably a bit hard for me to comment on the public perception, because I am quite involved with a lot of the activities.

Ms SHING: Do you see, though, that perhaps the hesitancy around investing with hope in the valley—in a new way of doing things and in change that is durable—is in fact inviting a degree of cynicism, that perhaps the scepticism that people have around another coal-into-gold or snake-oil offering is perhaps leading to a reluctance to trust that level of innovation in doing things differently?

Mr CAFFREY: Maybe. It needs to be government led. It needs to be high level. Some people have just got this anti-government thing. I think we see it with the anti-vaxxers. That is really the only issue that I would see. You would have to win those people over and say how it is going to benefit the community.

Ms SHING: But do you think that has impacted on the way in which people see the authority?

Ms BULL: I think it probably has, but people have short memories too. Initially, when Hazelwood closed there was a big emphasis on trying to retrain the workers and handle their individual situations, but Latrobe Valley also started supporting the local businesses by putting infrastructure in on sporting clubs and developing grounds. There seemed to be a bit of an emphasis on supporting sport because it also involved a wide range of businesses and it covered a lot of community involvement, and I think that perception has slipped off the radar because it has been a few years now and a lot of their work now is not up front before the public.

Mr CAFFREY: If I could just say one more thing, there was a little bit of conflict reported in the *Latrobe Valley Express* a few months ago that there was some issue with communication between the LVA and the Latrobe City Council. Those do not help perception.

The CHAIR: Yes, we had the Latrobe City Council, and we put those—

Ms BATH: It was in their report—their submission to this inquiry, the Latrobe Valley council.

Mr CAFFREY: Okay. Well, that is reasonable.

Ms SHING: Amongst other things that they said in support of the LVA, let us just be clear about that.

The CHAIR: I realise we are entering into the recess, but I might ask Mr Meddick to have probably the final question in this session. The other committee members, including me, Mr Tarlamis and Mr Barton, might keep our questions on notice. If we have got questions, we will just contact you directly, if that is fine, afterwards.

Ms BULL: Certainly.

Mr MEDDICK: Thank you, Chair, and I will keep it very short. Thank you so much for your submission. In your submission you mention that the LVA in your opinion should be continuously funded and, if I can quote it here:

... has shown willingness to think 'outside the box' ...

That is something that we always want an authority to do because it shows that it is actually in touch with the community it is working with, in my opinion anyway. We had other witnesses say that they feel that it should become a statutory authority in its own right. That would then by nature mean that it would have far greater funding, far broader funding, and probably a far greater remit to actually go out and do more of this work. Is that something that you feel—that it should be established in that regard? Because then it might extend beyond governments so that it is a continuous thing.

Ms BULL: Yes, I would absolutely support that. It would give it additional authority. When transition was planned for Germany, they planned on a 50- or 60-year time frame. Latrobe Valley was set up with a very short time frame, and it does not know where it is going from one year to the next, almost, depending on the budget that is available.

Mr MEDDICK: Further to that, rather than sitting underneath another government department, such as DJPR, should it be just a completely separate entity in its own right?

Ms BULL: Yes, why not? It needs independent authority.

Mr MEDDICK: Thank you.

Mr CAFFREY: Does that mean it gets its own minister?

The CHAIR: There were a lot of ministerial portfolios suggested in our chamber recently. I will leave it at that.

Thank you very much, Dan and Lorraine and the Latrobe Valley Sustainability Group. Clearly you are doing a lot of good work and advocacy on behalf of the community. Thank you for your presentation and submission to our inquiry. That will assist in our deliberations going forward. The committee will now have a 1-hour break for lunch.

Witnesses withdrew.