Submission No 10

INQUIRY INTO THE CLOSURE OF THE HAZELWOOD AND YALLOURN POWER STATIONS

Organisation: CFMMEU - Mining & Energy Division - Victorian District Branch

Date Received: 3 August 2021

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Submission to Legislative Council Economy and Infrastructure Committee

into closure of the Hazelwood and Yallourn power stations

Impact of Hazelwood Power Station Closure

While in operation the Hazelwood power station and its Morwell Mine employed around seven hundred and fifty (750) permanently workers, including embedded contractors but this figure does not include the many other supply and service contractors within the Latrobe Valley region also impacted. Of the Hazelwood employees, about four hundred (400) were CFMMEU members. Over the years CFMMEU has negotiated generous redundancy benefits and superannuation entitlements into our Enterprise Agreements. These ex-Hazelwood workers generally received four weeks full pay for each year of service, capped at one hundred and two (102) weeks.

Our CFMMEU members fell into two main demographics:

1. Those with a high age profile who chose to retire early. These members were financially quite well off due to their generous combined redundancy and defined benefit superannuation scheme. Most of these members continue to live in the Latrobe Valley area and contribute to its economic wellbeing to this day.

2. Those who were recent recruits who were entitled to very little redundancy pay and had very little superannuation within their accumulation fund that they could not access due to be younger than their preservation age. Recklessly, Engie had also let many of these employees take out novated leases on expensive cars, despite knowing Hazelwood was going to close, right up to the date of closure announcement. This left many members with crippling expenses, on top of being made redundant and many of these members also had young families and substantial home mortgages, so they were particularly financially vulnerable.

The permanently embedded contractors were even more financially impacted than their Engie counterparts through poorer redundancy and superannuation entitlements. By way of example, our RTL CFMMEU members only received a NES redundancy payment of up to a maximum of sixteen (16) weeks' pay plus accumulated 'Incolink' redundancy benefit of $80 per week, for each week worked.

In response to the sudden five (5) month notice of closure CFMMEU sought support for a three (3) step response plan:

1. Establish an industry wide worker transition scheme for younger workers made redundant from the Hazelwood power station and Morwell Mine.

2. Push to have Hazelwood power station demolished to create genuine employment and ease the pace of transition for local workers.

3. Push to have as many existing Mine workers involved in the Morwell Mine rehabilitation project.

Luckily all three strategies were implemented; however, less successfully than they might have been. By way of explanation:

1. A Latrobe Valley Worker Transition scheme did get established to transition younger workers to other power stations and mines through financially incentivising older

workers at other power stations to retire early and create vacancies but out of two hundred and thirty (230) older employees who formally expressed, only about ninety (90) were permitted by their generating company. CFMMEU believes this was clearly a lost opportunity to redeploy up to another one hundred and forty (14)) ex-Hazelwood workers. Although Latrobe Valley generating companies signed up to the State government scheme (that had a goal of transitioning at least one hundred and fifty (150) workers), they undermined the scheme to cause it to fail to deliver, without any repercussions. Both EnergyAustralia and AGL Loy Yang failed to give preference to displaced Hazelwood employees and out of the available vacancies created less than fifty percent (50%) went to experienced and power industry skilled Hazelwood workers, which is far less than would be expected. It was even worse at AGL Loy Yang where the scheme was used to further downsize its workforce by an estimated one hundred (100) employees during the Latrobe Valley job crisis by retiring workers but not replacing them. A major flaw in the Latrobe Valley Worker Transfer Scheme was that there was no clause requiring participating companies to only employ from the pool of redundant ex-Hazelwood workers and no repercussions if they did not genuinely try to reach the schemes targets.

2. Luckily Engie self-initiated the demolition of Hazelwood power station, which cost hundreds of millions of dollars, even though there is no legislation forcing it to do so. At its peak, this demolition project employed around one hundred and eighty (180) workers, although most of these workers came from outside the Latrobe Valley due to the tender process not requiring local labour first. There were many redundant ex-Hazelwood workers with the skills to take up these jobs but who were shut out. For example many ex-Hazelwood workers were trained in asbestos removal post closure but nearly all the asbestos removal was performed by a Melbourne contractor. The demolition work is not complete at the time of this submission, with remaining works put on hold.

3. Rehabilitation of the Morwell Mine is required by State law. Initially, about sixty (60) ex-Hazelwood mine workers and thirty or more contractors began this task until issues emerged with the earthwork methodology being used. At this point the sixty (60) ex-Hazelwood mine workers jobs were terminated eighteen (18) months earlier than expected; however, with additional contractors being hired to continue a 'truck and shovel' operation. All up there are about fifty (50) casual mobile plant workers continuing this rehabilitation operation seasonally each summer.

Last advice received from the Latrobe Valley Authority (LVA) quite some time ago was that there are still about 260 ex-Hazelwood employees still looking for full time work. Many of these displaced workers have been taking intermittent casual shutdown work at other Latrobe Valley power stations and using their redundancy payments to financially sustain them and their family. Other displaced ex-Hazelwood employees have taken up Fly-In-Fly-Out (FIFO) work interstate or have moved permanently outside of the Latrobe Valley for ongoing work.

Despite all the problems, the local Latrobe Valley economy appears to be standing up remarkably well post the major economic shock of Hazelwood power station closure. We

believe this may be largely due to State government $266 rescue package, short-term redundancy and superannuation spending within the Latrobe Valley and investors from Melbourne buying up cheaper Latrobe Valley housing and property; however, this situation is likely to be short lived with further economic decline when Hazelwood power station demolition and Morwell Mine rehabilitation ends. The future closure of the Yallourn power station and/or reduced maintenance spending leading up to closure date could also further dramatically impact casual ex-Hazelwood workers over the next few years.

Expected Yallourn power station closure in 2028

The snowball effect of the Yallourn power station closing in 2028, after the past closures of Morwell Power & Briquette, Carter/Holt/Harvey, Hazelwood power station and the Morwell Mine is likely to be the economic straw that breaks camel's back. Up to one thousand (1,000) direct and indirect local workers are likely to be affected.

One option the State government should urgently pursue is to re-purpose the Yallourn power station and Hazelwood power station sites, by building new dispatchable power stations utilizing existing infrastructure to support power grid reliability. There are several sensible options that could be pursued:

1. Build a new combined cycle gas turbine power station required to provide firming power for variable renewable generation by 2030.

2. Build a small modular nuclear reactor at each site to provide base load power without greenhouse emissions by 2030.

3. Revitalize the Latrobe Valley Worker Transfer Scheme so that the Latrobe Valley generators are compelled to participate constructively. This needs to be in place before 2027.

4. Establish a commercial coal to hydrogen export industry, with carbon capture and storage in the Latrobe Valley by 2030.

5. Establish a commercial carbon capture and storage system in the Latrobe Valley to store CO_2 underground in Bass Strait. This would allow for newer High Efficiency Low Emission HELE) technology coal-fired power stations to be constructed within the Latrobe Valley, without any greenhouse gas emissions.

6. Fairly align all redundancy payments across the Yallourn power station and Mine site so that all affected workers are treated equally.

7. Implement a government financial assistance package to support local supply and service contractors to transition away from power station dependency.

Option one is proven 'off the shelf' technology that would provide required power grid stability and reliability, while maintaining a modest Latrobe Valley operations and maintenance workforce, with modest economic flow on benefits.

Option two, the nuclear power option, is a path that thirty-one (31) other developed nations have chosen, including six (6) of the seven (7) G7 Nations. Small modular nuclear reactors are a rapidly developing technology that is much cheaper and safer than older large scale nuclear reactors. SMR's have recently gained approval in the USA and their deployment would be possible by 2030 if no time is wasted. Their modular size also better fits the small size of Australian electricity grid. There are more jobs in a nuclear power plant than a coal power plant so the economic impact on the Latrobe Valley would likely be economic growth rather than decline. This new technology could create a completely new industrial hub to diversify the Latrobe Valley and could provide further education jobs, if training was setup with Federation University Churchill.

For options one, two and five there are already high voltage transmission infrastructure in place, including heavy transport routes from the Melbourne docks, plenty of cooling water infrastructure and supply, including a highly skilled workforce within the region who need substitute work with readily transferrable skills.

Option three could be pursued either separately to options one, two, four or five, but for maximum benefit should be perused in conjunction with some or all of them.

Option four is still yet uncertain and is reliant on the economic cost and carbon capture and storage (CCS) pipeline. CCS is a proven technology, and Bass Strait is an ideal carbon storage sink, so the technology is not an issue but more the economic cost. Despite this coal to hydrogen is expected to be 2.5 times cheaper than producing hydrogen from renewables.

Option five, a commercial CCS system, would allow the future construction ongoing construction of High Efficiency Low Emission (HELE) coal fired power stations so that the Latrobe Valley could make good economic use of its thirty-three (33) billion tonnes of cheap and easily accessible Brown Coal resources, without any greenhouse emissions. It would also further make coal to hydron CCS more financially viable. This would ensure cheaper electricity prices, better electrical grid stability and reliability and huge economic growth for the Latrobe Valley.

Option six, an industry wide minimum redundancy standard would direct more cash directly to those workers and their families affected. CFMMEU believes that the de-facto industry minimum redundancy standard should be at least four (4) weeks' pay for each year of service capped, capped at a maximum of two (2) years. Both Toyota and Ford voluntarily provided this level of redundancy upon the recent closure of the Australian car industry, so it is not unreasonable especially for multi-national companies.

Option 7, by directing government assistance to local supply and service contractors, this would substantially reduce the direct economic impact of power station closure on the Latrobe Valley through directing money where it is needed rather than using a scatter gun approach.

Latrobe Valley Authority (LVA)

The LVA has done a good job at short notice in responding to the sudden closure of Hazelwood. Our main criticism is that a lot of its spending is being done a long way outside of the Latrobe

Valley region; well away from where it is needed. There is also a lack of transparent data and communication being provided to key stakeholders, such as the CFMMEU who is the Latrobe Valley power industry's key union representative.

CFMMEU believes a better approach would be for the LVA to be incorporated within the Latrobe City Council Transition Taskforce Committee. This change would deliver better and more transparent communication, better engagement with key stakeholders and ensure that all economic assistance within the Latrobe Valley is delivered where it is most needed.