



# PARLIAMENT OF VICTORIA

## LEGISLATIVE COUNCIL

### Economy and Infrastructure Committee

# Inquiry into the closure of the Hazelwood and Yallourn power stations

Parliament of Victoria

Legislative Council Economy and Infrastructure Committee

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# About the Committee

## Functions

The functions of the Legislative Council Economy and Infrastructure Committee are to inquire into and report on any proposal, matter or thing concerned with agriculture, commerce, infrastructure, industry, major projects, public sector finances, transport and education.

The Economy and Infrastructure Committee may inquire into, hold public hearings, consider and report on any matter, including on any Bills or draft Bills referred by the Legislative Council, annual reports, estimates of expenditure or other documents laid before the Legislative Council in accordance with an Act, provided these are relevant to its functions.

Government Departments allocated for oversight:

- Department of Jobs, Precincts and Regions
- Department of Transport
- Department of Education and Training
- Department of Treasury and Finance.

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This report is available on the Committee's website.

# Contents

## Preliminaries

Committee membership	ii
About the Committee	iii
Terms of reference	ix
Chair's foreword	xi
Findings and recommendations	xiii
What happens next?	xx

<b>1</b>	<b>About the Inquiry</b>	<b>1</b>
1.1	Conduct of the Inquiry	1
1.1.1	Submissions	1
1.1.2	Hearings	1
1.1.3	Committee survey	1
<b>2</b>	<b>The Latrobe Valley and the coal-fired energy industry</b>	<b>3</b>
2.1	Introduction	3
2.2	The Latrobe Valley's coal resources	3
2.2.1	Brown coal reserves in the Latrobe Valley	6
2.2.2	The social significance of coal mining in the Latrobe Valley	6
2.3	The transition to renewable energy	8
2.3.1	State legislation	8
2.3.2	Victorian Government initiatives to transition to renewable energy	9
<b>3</b>	<b>The closure of the Hazelwood mine and power station</b>	<b>11</b>
3.1	Introduction	11
3.2	The Hazelwood mine fire and inquiries	11
3.3	The announcement of the closure of the Hazelwood mine and power station	12
3.4	The Latrobe Valley Support Package	14
3.5	The Latrobe Valley Authority's immediate response to the closure of Hazelwood	15
3.5.1	The Worker Transition Service	15
3.5.2	The Worker Transfer Scheme	19
3.6	Decommissioning and demolition of Hazelwood	20

<b>3.7</b>	<b>Recovery and capability building projects</b>	<b>21</b>
3.7.1	GROW Gippsland	22
3.7.2	Access New Industries Program	22
3.7.3	Other programs funded by the Latrobe Valley Support Package	23
<b>3.8</b>	<b>The economic impact of the closure of Hazelwood</b>	<b>24</b>
<b>4</b>	<b>The upcoming closure of the Yallourn mine and power station</b>	<b>29</b>
4.1	Introduction	29
4.2	The announcement of the closure of the Yallourn power station	29
4.3	Measures to assist Yallourn workers and the Latrobe Valley community	30
4.4	The possible impact of the upcoming closure	32
4.5	Lessons from the closure of Hazelwood	33
4.5.1	Worker support and transition initiatives	33
4.5.2	A worker transfer scheme	36
4.5.3	Identifying and supporting supply chain and associated businesses	38
4.5.4	Capability building	39
<b>5</b>	<b>The Latrobe Valley Authority: its role and lessons learned</b>	<b>43</b>
5.1	Introduction	43
5.2	The role and functions of the Latrobe Valley Authority	43
5.2.1	Governance of the Latrobe Valley Authority	44
5.3	The Latrobe Valley Authority's approach	45
5.4	Putting theory into practice	49
5.5	Working with Regional Development Victoria Gippsland	52
5.6	Measuring success	55
5.6.1	Employment indicators	56
5.6.2	Social indicators: ensuring the economic prosperity of the region is shared	60
5.7	Community views: rebuilding trust over time	62
5.8	Other issues of concern raised by stakeholders	70
5.8.1	The LVA's attitude to coal	70
5.8.2	Local supply chains	71
5.9	The need for more promotion	72
5.10	The need for a long-term commitment	73

<b>6</b>	<b>Where to from here: the economic future for the Latrobe Valley</b>	<b>77</b>
6.1	Introduction	77
6.2	Economic development opportunities in the Latrobe Valley	77
6.3	The Latrobe Valley Authority’s ‘smart specialisation’ strategy	78
6.3.1	Energy	80
6.3.2	Food and fibre	81
6.3.3	Tourism	83
6.3.4	Health and wellbeing	84
6.4	Economic development strategies for the Latrobe Valley considered by other government bodies	85
6.4.1	The Gippsland Regional Economic Development Strategy	85
6.4.2	The Latrobe City Council Investment Roadmap	86
6.5	The Committee’s assessment of economic development strategies by Government agencies	86
6.6	Utility scale renewable energy projects raised by stakeholders	88
6.6.1	Marinus Link	88
6.6.2	Star of the South	90
6.6.3	Hydrogen Energy Supply Chain	93
6.6.4	Renewable energy hubs	95
6.6.5	Key findings regarding utility scale energy projects in the Latrobe Valley	97
6.7	Alternative uses for brown coal and ideas for rehabilitated mines	98
6.7.1	Chemical and industrial uses of Latrobe Valley brown coal	98
6.7.2	Mine rehabilitation	101
6.7.3	Should brown coal mines remain open?	105
6.8	Education and training for the jobs of the future	107
<b>Appendices</b>		
A	About the Inquiry	111
B	Latrobe Valley Support Package policy and program initiatives and outcomes November 2016 – June 2021	115
C	Latrobe Valley Authority organisation structure	121
<b>Extracts of proceedings</b>		<b>125</b>
<b>Minority report</b>		<b>163</b>



# Terms of reference

## Inquiry into the closure of the Hazelwood and Yallourn power stations

On 17 March 2021 the Legislative Council agreed to the following motion:

That this House, requires the Economy and Infrastructure Committee to inquire into, consider and report, by no later than 13 December 2021.\*

1. on the:
  - a. impact of the closure of the Hazelwood Power Station on the economy and jobs of the Latrobe Valley, and the success or otherwise of economic recovery efforts to date
  - b. expected economic impacts of the proposed closure of Yallourn Power Station in 2028 and options the State Government can pursue to offset the loss of more than 1,000 direct jobs from the plant, as well as associated contractors;
  - c. success or otherwise of the Latrobe Valley Authority (LVA) to help the region transition, in light of the decline of funding made available to the LVA over successive State Budgets
2. and if the Committee proposes to transmit a report for the Inquiry to the House on a day when the House is not sitting, the Chair may give the report to the Clerk and:
  - a. the Clerk must:
    - i. as soon as practicable after the report is received give a copy of the report to each Member of the House;
    - ii. as soon as practicable after the report is received cause the report to be published on the Tabled Documents Database and the Committee's website;
  - b. cause the report to be tabled in the House on the next sitting day of the House; and
  - c. the report will be taken to be published by authority of the House

\* The reporting date for this inquiry was changed to 31 May 2022.



# Chair's foreword

The announcement by Engie in November 2016 that production and operation would cease at the Hazelwood power station in mid-2017 was a blow to communities across the Latrobe Valley region.

Coal-fired power generation has been an economic and social driver for generations of workers and communities across Gippsland, and has shaped its history, skills profiles, economic, social and environmental priorities and demographics.

It has also defined the identity of workers, industry, related businesses, and communities.

Last year's announcement by EnergyAustralia of the 2028 closure of the Yallourn power station—with a 350 megawatt utility scale battery to be built by 2026—was further confirmation that global markets are increasingly moving away from investment in coal-fired power.

Further, the exponential growth in renewable energy is being driven by downward pressure on the costs of production and management, the rapid pace of advances in renewable energy technology, and increased consumer appetite.

These changes have necessitated a comprehensive social and economic transition for the Latrobe Valley region, alongside investment in the development of existing communities and improvement of educational, health and other outcomes.

With such a short notice period by Engie, it was imperative that all levels of government worked together with a sense of urgency and collaboration.

The Victorian Government established the Latrobe Valley Authority (LVA), with responsibility for business, community, and worker support in the first instance, alongside program and service delivery and local projects to facilitate economic and social transition.

The LVA is the first body of its kind in Australia. It is influenced by the approach taken in countries that have faced similar challenges following transition from coal-fired power generation, such as Germany and Spain.

The LVA's initial focus was mostly direct—helping affected workers find new jobs in the power sector either through negotiation of a worker transfer scheme with other operators, or into other industries, and providing businesses with transition and development support or access to new infrastructure projects.

The organisation's focus has since evolved to building capability and aiding long-term regional growth and transformation.

As this Report discusses, the LVA is the first to agree that it has more work to do in developing and maintaining community trust and awareness, communicating its services, and measuring the financial and social benefits that it has delivered.

The LVA is adapting and improving as it grows and learns more about how it should best work with the community.

Importantly, that the LVA is staffed by Gippslanders working for Gippsland is of significance to a region that has historically been neglected by governments in times of great need and uncertainty, including following privatisation of Victoria's power industry, and the Hazelwood Mine Fire in 2014.

As such, the importance of building trust and fostering optimism across businesses and communities should not be underestimated as transition and development continues over the coming years.

Yet, as this Inquiry also found, a combination of regional assets and State Government support has led directly to improved social and economic outcomes.

New opportunities for long-term and sustainable growth are gathering momentum across Gippsland, whether in large new energy projects or in other priority industries such as health and allied care, food and fibre, tourism and manufacturing.

It is widely accepted that the notion of working for one large employer in a job for life is a thing of the past. Gippsland's economy is becoming a vibrant, modernised presence, characterised by an increasingly diverse variety of businesses, and a highly skilled workforce.

For an increasing majority of the community, the shock, anger, and frustration of 2016 is evolving into a shared determination to collaborate and succeed as global industries continue to change.

Transition will take time, investment and engagement, from all levels of government. It will require social license and a preparedness for communities to move from describing the problems and losses of the past, into opportunities that can, including through the LVA, be identified and deployed to maximum effect.

I would like to acknowledge the work of my fellow Committee members throughout this Inquiry, in particular committee members from Eastern Victoria, whose strong commitment to the communities of the Latrobe Valley and Gippsland was clear throughout this Inquiry.

Thank you also to our Secretariat staff, Justine Donohue, Jessica Wescott, Sam Leahy, Kieran Crowe and Patrick O'Brien, for their assistance producing this Report.

I commend this report to the Parliament.

*Enver Erdogan*

**Mr Enver Erdogan**  
**Chair**

# Findings and recommendations

## 2 The Latrobe Valley and the coal-fired energy industry

**FINDING 1:** The use of brown coal for power generation and related purposes has shaped the history, economic profile and identity of the Latrobe Valley for over a century. It has driven prosperity and growth across the state of Victoria and more broadly the national electricity grid.

8

## 3 The closure of the Hazelwood mine and power station

**FINDING 2:** The Worker Transition Service and Worker Transfer Scheme, the first in Australia, were successful in assisting workers affected by the closure of the Hazelwood Power Station to, depending on individuals' priorities and objectives:

- train and qualify for new jobs in different industries and sectors
- transfer to substantively similar or identical jobs at other power stations
- plan for retirement.

20

**FINDING 3:** The closure of Hazelwood, and broader current and projected changes to reliance on brown coal, has affected the Latrobe Valley in a range of different ways that have contributed to economic and social uncertainty.

27

## 4 The upcoming closure of the Yallourn mine and power station

**RECOMMENDATION 1:** That the Victorian Government continue to work with EnergyAustralia—including via the Latrobe Valley Authority—to undertake consultations with impacted workers, businesses and communities to determine the impact of the closure of the Yallourn mine and power station. Future Victorian and Commonwealth Government support for affected workers, businesses, and communities should be tailored to meet current and future needs, including as they relate to long-term transition and development.

36

**RATIONALE:** The Latrobe Valley Authority and Department of Jobs, Precincts and Regions have begun engaging with EnergyAustralia to understand the future plans of Yallourn workers. Victorian and Commonwealth Government support will assist in the development of effective worker transition services in the lead up to Yallourn's closure. **36**

**RECOMMENDATION 2:** That the Latrobe Valley Authority, in partnership with other agencies and Departments within the Victorian Government (including but not necessarily limited to Regional Development Victoria and the Department of Jobs, Precincts and Regions), consolidate an analysis of the outcomes of the Worker Transition Service, and the ways in which this work can apply to future worker transition supports. This analysis should include the extent to which affected workers' needs and priorities have been, or are able to be, met. **36**

**RATIONALE:** An analysis of the employment outcomes of Hazelwood's Worker Transition Service will further help Victorian Government agencies determine how to ensure future worker transition services can provide suitable opportunities for transitioning workers. **36**

**FINDING 4:** Ongoing changes to the market for brown coal power generation have been shaped by a range of global, national and local economic, social and environmental factors. These impacts are widely anticipated to continue, particularly as other energy sources become more affordable and attractive to consumers across the energy market. For these reasons, a future Worker Transfer Scheme such as that which was developed in response to the closure of Hazelwood will have a lesser impact upon affected workers in the industry. **37**

**RECOMMENDATION 3:** That the Victorian Government continue to work with EnergyAustralia to:

- identify businesses across the supply chain in advance of Yallourn's closure
- provide support to help these businesses adapt to the closure and, where possible, employ new workers.

**39**

**RATIONALE:** Businesses across the supply chain will be adversely impacted by Yallourn's closure without transition planning and support. Appropriate government support can help businesses transition to a changing economy and create new employment opportunities. **39**

**RECOMMENDATION 4:** That the Victorian Government—including via the Latrobe Valley Authority—continue to work with industry and training providers, including EnergyAustralia, to:

- identify and support job creation opportunities in new and existing industries that are aligned with the skills, expertise and capabilities of enterprises equipped to provide new opportunities in the lead-up to, and following the closure of, the Yallourn mine and power station.
- ensure that, as occurred through the Worker Transition Service and the Latrobe Valley Authority’s partnerships with industry and Councils, training and support opportunities are available for workers to develop the skills needed to fill new employment opportunities, including in priority industries, and for businesses to develop and implement transition plans that enable new jobs to be created.

42

**RATIONALE:** Capability building requires commitment from government for many years. Continued work in this area by the Victorian Government should be a combination of direct business support and workforce training.

42

## 5 The Latrobe Valley Authority: its role and lessons learned

**FINDING 5:** The Latrobe Valley Authority’s localised approach to regional transition is aligned with Victorian Government objectives to facilitate transition and development. As the first consolidated model of program and economic support for large-scale economic transition in Australia, it aligns with international place-based approaches to equivalent challenges. It is tailored, proactive and well-integrated across the Latrobe Valley’s communities, and has a significant role in the implementation of broader Victorian Government policies and programs.

52

**FINDING 6:** The Latrobe Valley Authority functions well as its own, distinctly branded agency of the Victorian Government within the Department of Jobs, Precincts and Regions. This gives it more visibility in the Latrobe Valley and provides the community confidence in the support provided by the Victorian Government, particularly as the majority of its workforce is based in Gippsland and live in the region.

55

**RECOMMENDATION 5:** That the Victorian Government publish an outline of the functions of the Latrobe Valley Authority and Regional Development Victoria respectively, including how they relate to other parts of the Victorian public sector, other levels of government and industry.

55

**RATIONALE:** Developing an outline of respective responsibilities would help ensure the Latrobe Valley Authority and Regional Development Victoria Gippsland avoid duplication in their work. Making the document public would also help the community better understand what each body does.

55

**RECOMMENDATION 6:** That the Victorian Government publish information relating to job creation involving the Latrobe Valley Authority’s work as it relates to business and industry in the Latrobe Valley and across the Gippsland region more broadly. This information where possible should include detail aligned with other methods of data collection in the Australian Bureau of Statistics, Commonwealth and Victorian Government modelling and reporting methodologies, including the sectors, modes and duration of employment. Information about the mode, duration, and sector of direct and indirect work in the operation of the Hazelwood and Yallourn mines and power stations should also be published to enable meaningful comparisons where relevant.

59

**RATIONALE:** The Latrobe Valley community should be informed as to how public money is being spent in the region. More details would also contribute to building confidence in the Latrobe Valley Authority’s work and enable more accurate analysis of the ongoing transition in the region.

59

**FINDING 7:** The Latrobe Valley Authority is working effectively to achieve economic and social outcomes in the Latrobe Valley and wider Gippsland region.

62

**FINDING 8:** Community trust in the work of the Latrobe Valley Authority is directly linked to social indicators such as confidence in the region’s future. There is a significant level of scepticism in the Latrobe Valley, which has historical links to the privatisation of the power industry in the 1990s and support for transition at that time. As such, much of the initial work of the Latrobe Valley Authority has necessitated a focus on building and maintaining trust and confidence within local communities.

66

**RECOMMENDATION 7:** That the Latrobe Valley Authority list its performance indicators on its website, including continuing to define its future role in terms of funding decisions and how it will enhance economic and social strengths.

66

**RATIONALE:** Clarity of purpose will both make the Latrobe Valley Authority more effective and help the Latrobe Valley community better understand its role.

66

**FINDING 9:** The results of the Committee’s survey in conjunction with evidence from participants in this Inquiry supports a conclusion that those with direct knowledge and experience of the Latrobe Valley Authority’s remit and performance have a more positive view and understanding of the Latrobe Valley Authority’s role than those without such direct experience.

70

**FINDING 10:** Brown coal remains relevant to a range of existing and potential opportunities for economic growth and jobs in industry and enterprise across the Latrobe Valley, beyond coal-fired power generation.

71

**RECOMMENDATION 8:** That the Latrobe Valley Authority identify gaps in community awareness of its work and continue to address these gaps or misunderstandings by promoting its work, including as it relates to the 2022–23 Victorian State Budget’s allocation of \$7.5 million to continue and evolve its work on transition and development for the Latrobe Valley Region, including through the development of a long-term plan for transition and development across the Latrobe Valley region that builds on work already done.

73

**RECOMMENDATION 9:** That the Latrobe Valley Authority identify and publish a timeline for its work to develop and implement localised transition and development across the Latrobe Valley, and the benchmarks against which it will operate.

73

**RATIONALE:** Greater awareness of the work of the Latrobe Valley Authority will give the community more confidence in how it is working to achieve its purpose.

73

**FINDING 11:** Based on international models of large-scale economic and social transition, the Latrobe Valley Authority’s functions and focus will shift from large infrastructure projects to enterprise specific and community-based work. This work, which requires less funding than that needed to build infrastructure, will also include place-based initiatives that support population growth in and around the Latrobe Valley.

75

**FINDING 12:** Successful regional transition in the Latrobe Valley will require long-term funding and support, including through effective and enduring partnerships between all levels of government.

75

## 6 Where to from here: the economic future for the Latrobe Valley

**FINDING 13:** International transitions away from coal-fired power indicate that the significant social and economic presence of the Hazelwood and Yallourn mines and power stations across the Latrobe Valley will not be replaced by one single industry or large-scale employer. Instead, a combination of new businesses and industries will be required to offset the economic and social changes and impacts of the closure of the Hazelwood and Yallourn mines and power stations.

78

**FINDING 14:** The ideas for economic growth identified by the Latrobe Valley Authority's smart specialisation strategy are at varying stages of development. Some are at the discovery phase with others nearing readiness for commercial investment.

84

**FINDING 15:** There is overlap in the work done by the Latrobe Valley Authority with its smart specialisation strategy and Regional Development Victoria's Gippsland REDS. Evidence provided by the Latrobe Valley Authority and Regional Development Victoria indicates that these two arms of the Victorian Government are working to reduce this overlap in their work, and engagement with the community.

88

**FINDING 16:** New utility scale renewable energy projects across the Latrobe Valley and wider Gippsland region will provide a significant number of jobs in construction. Timeframes for construction range from five to ten years, which will offset some job losses from the closure of the region's mines and power stations for a fixed period.

97

**FINDING 17:** Global demand for renewable energy is causing high competition for project resources. Government support in helping projects meeting regulatory approval, along with firm policy direction and funding support, helps jurisdictions attract these projects.

98

**FINDING 18:** Brown coal has a range of applications beyond coking and power production. It is readily accessible and present in large volumes across the Latrobe Valley region.

101

**FINDING 19:** Rehabilitation of the Hazelwood and Yallourn open cut mines is subject to stringent regulation that considers a range of factors, including the safe, stable and sustainable management of the mines over time. There are a range of options for rehabilitation, the costs and impact of which continue to be worked through between authority holders and agencies such as the Mine Land Rehabilitation Authority, which oversees the Latrobe Valley Regional Rehabilitation Strategy.

104

**RECOMMENDATION 10:** That the Victorian Government develop a residual risks policy for the mines at Hazelwood and Yallourn. The policy should address risks associated with ground instability and fire. **104**

**RATIONALE:** Unused coal mines present risks such as unstable ground and the potential for uncovered coal to catch fire. A policy would allow the Victorian Government to focus on identifying and addressing these risks. **104**

**FINDING 20:** Stringent rehabilitation requirements must be met for the operator and authority holder to be satisfied that obligations have been met and future risks of fire and/or adverse environmental impact are managed. It may be viable, where these standards are able to be met or exceeded over time, for brown coal to be extracted from or near these brown coal open cut sites for purposes other than power generation. **107**

**FINDING 21:** The Latrobe Valley Authority, education and training providers, and industry are working in collaboration to anticipate the future skills needs of the Latrobe Valley and ensure opportunities are provided to the local workforce. **109**

# What happens next?

**There are several stages to a parliamentary inquiry.**

## **The Committee conducts the Inquiry**

This report on the Inquiry into the closure of the Hazelwood and Yallourn power stations is the result of extensive research and consultation by the Legislative Council Economy and Infrastructure Committee at the Parliament of Victoria.

We received written submissions, spoke with people at public hearings, reviewed research evidence and deliberated over a number of meetings. Experts, government representatives and individuals expressed their views directly to us as Members of Parliament.

A Parliamentary Committee is not part of the Government. Our Committee is a group of members of different political parties (including independent members). Parliament has asked us to look closely at an issue and report back. This process helps Parliament do its work by encouraging public debate and involvement in issues. We also examine government policies and the actions of the public service.

You can learn more about the Committee's work, including all of its current and past inquiries, at: <https://www.parliament.vic.gov.au/eic-lc>.

## **The report is presented to Parliament**

This report was presented to Parliament and can be found at: <https://www.parliament.vic.gov.au/eic-lc/article/4675>.

## **A response from the Government**

The Government has six months to respond in writing to any recommendations we have made. The response is public and put on the inquiry page of Parliament's website when it is received at: <https://www.parliament.vic.gov.au/eic-lc/article/4676>.

In its response, the Government indicates whether it supports the Committee's recommendations. It can also outline actions it may take.

# 1 About the Inquiry

## 1.1 Conduct of the Inquiry

The Legislative Council referred the Inquiry into the closure of the Hazelwood and Yallourn power stations on 17 March 2021.

The motion required the Economy and Infrastructure Committee to report on the Inquiry's findings by no later than 13 December 2021. A motion was passed on 30 November 2021 to extend this reporting date to 31 May 2022.

The Committee undertook a comprehensive evidence-gathering process for this Inquiry. This included desktop research, calls for submissions, public hearings and an open survey (see Appendix A for a summary of evidence received).

### 1.1.1 Submissions

The Committee received and accepted 63 submissions with one granted confidentiality and two submissions with names withheld.<sup>1</sup>

Submissions were received from a cross-section of stakeholders. This included Latrobe Valley residents, energy companies, environmental and sustainability groups, advocacy organisations, and government bodies. These can be found at:

[www.parliament.vic.gov.au/eic-lc/article/4673](http://www.parliament.vic.gov.au/eic-lc/article/4673).

### 1.1.2 Hearings

The Committee held five days of public hearings with 43 witnesses, including individuals and organisations, in late-2021 and early-2022. This included three days of in-person hearings in Traralgon. The Committee also conducted site visits at the Hazelwood and Yallourn mine and power station sites. Other hearings were held remotely, via Zoom.

The transcripts of evidence are available at: [www.parliament.vic.gov.au/eic-lc/article/4674](http://www.parliament.vic.gov.au/eic-lc/article/4674).

### 1.1.3 Committee survey

'The work of the Latrobe Valley Authority' was a survey conducted by the Committee between February and March 2022. It was targeted at Latrobe Valley residents to gather

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<sup>1</sup> The identities of confidential submitters and/or the content of their submission were not made public on the Committee's website. The identities of name withheld submitters were not made public on the Committee's website, however the content of their submission was.

1

their opinions on the successes and/or failures of the Latrobe Valley Authority (LVA) in assisting the region through transition. This is in line with Terms of Reference (1)(c).

The survey consisted of 15 questions that canvassed respondents' satisfaction with the services and support provided by the LVA and their ideas for future support and regional development in light of the upcoming power station closures.

The Committee advertised the survey through social media and targeted the advertising at users in the Latrobe Valley region. Further, the survey was advertised in the Latrobe Valley Express in February 2022.

A total of 141 respondents completed the survey and provided insights into the perception and workings of the LVA. The survey's findings have been used to inform the discussion on the LVA in Chapter 5.

The Committee is extremely grateful to all submitters, witnesses and survey respondents for their contribution to this Inquiry.

## 2.1 Introduction

This Chapter provides an overview of the Latrobe Valley and the coal-fired energy industry. It begins with an outline of the geography of the Latrobe Valley, including the mines and natural resources that have driven the region's role in Victoria's energy generation. The Chapter proceeds to discuss the coal-fired energy industry in the Latrobe Valley and concludes with a summary of the legal and policy framework governing Victoria's transition to renewable energy.

## 2.2 The Latrobe Valley's coal resources

The Latrobe Valley is located in the Gippsland region of Victoria, approximately 150 kilometres east of Melbourne. It has a population of approximately 175,500 people and encompasses the Local Government Areas (LGAs) of Baw Baw Shire, Wellington Shire and Latrobe City.

Victoria has long been dependent on energy generated from brown coal in the Latrobe Valley. For example, 93% of Victoria's energy supply in 2002 was derived from Latrobe Valley power stations. In 2022, this figure was 62% due to an increase in renewable energy sources (constituting 33% of total energy generation in 2022 as opposed to 6% in 2002).<sup>1</sup>

The Latrobe Valley is home to vast brown coal reserves and three operational coal-fired power stations: Yallourn, Loy Yang A and Loy Yang B. A fourth coal-fired power station, Hazelwood, closed in 2017.<sup>2</sup>

The power stations are clustered around the towns of Moe, Morwell and Traralgon in the LGA of Latrobe City Council. The LGA sits on the traditional land of the Brayakaulung clan of the Gunaikurnai people.<sup>3</sup> Figure 2.1 shows the geography of the mines and power stations.

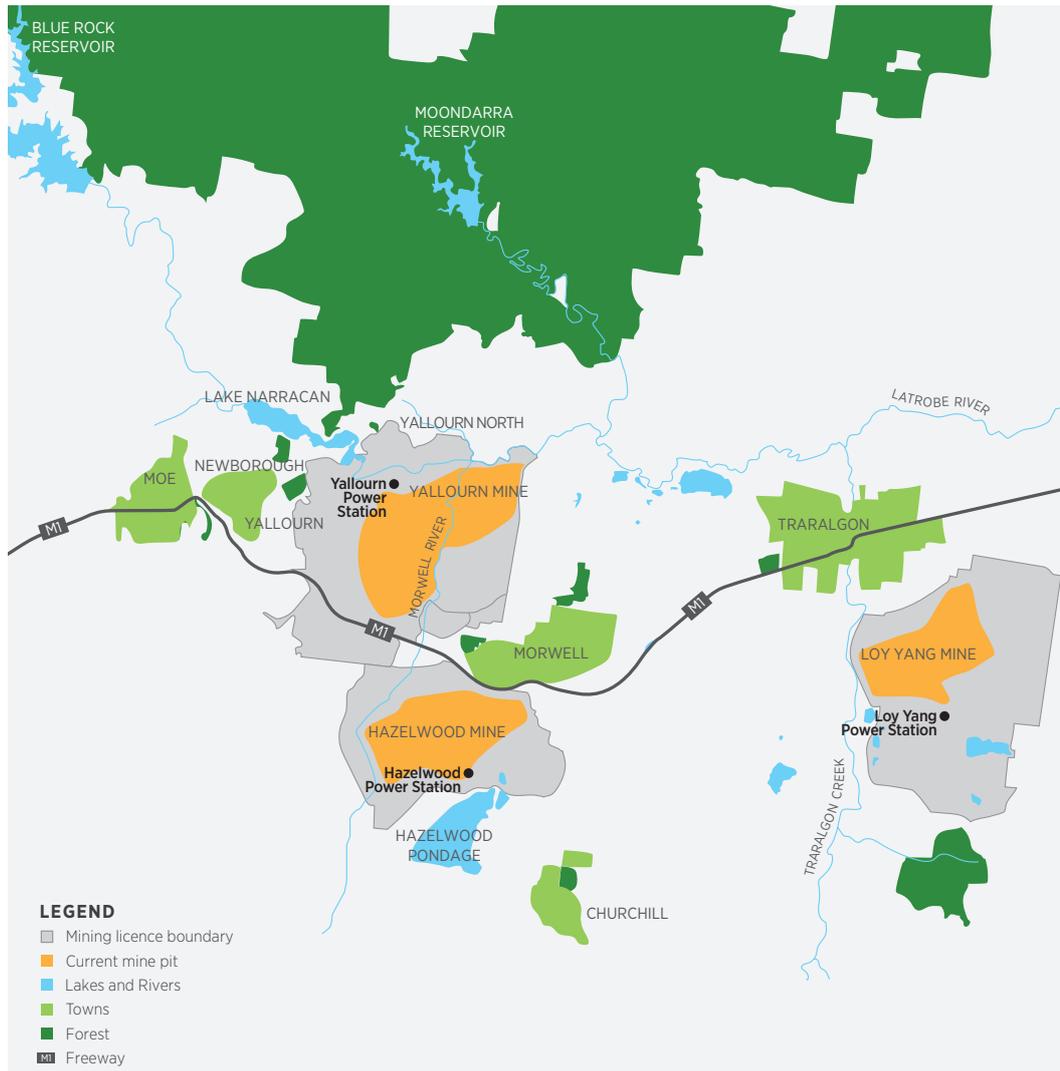
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1 OpenNem, *Energy Victoria*, 2022, <<https://opennem.org.au/energy/vic/?range=all&interval=1M>> accessed 11 April 2022.

2 Engie, *Submission 30*, p. 3.

3 Latrobe City Council, *Submission 5*, p. 2.

Figure 2.1 Location of mines and power stations in the Latrobe Valley



Source: Adapted from *Hazelwood Mine Fire Inquiry Report: Volume IV Mine Rehabilitation*, 2015/2016, p. 27.

Latrobe City has a population of around 76,000 people and supports around 32,000 jobs, of which 10% are derived from two sectors:

- mining (518 jobs)
- electricity, gas, water and waste services (2,530 jobs).<sup>4</sup>

Combined, these sectors comprise \$4.3 billion of the city's \$13.7 billion output and produce \$3.6 billion of the total \$6.2 billion in regional exports. Electricity, gas, water and waste services is Latrobe City's largest single export industry, with regional exports totalling \$2.9 billion.<sup>5</sup>

4 REMPLAN, *Latrobe City*, 2022, <<https://app.remplan.com.au/latrobe/economy/industries/employment>> accessed 11 April 2022.

5 Ibid.

In its submission to the Inquiry, Latrobe City Council outlined employee numbers at power stations within its LGA. Table 2.1 provides a breakdown of employee numbers at the three power stations.

**Table 2.1 Employee numbers at Latrobe City power stations and mines, 2020–2021**

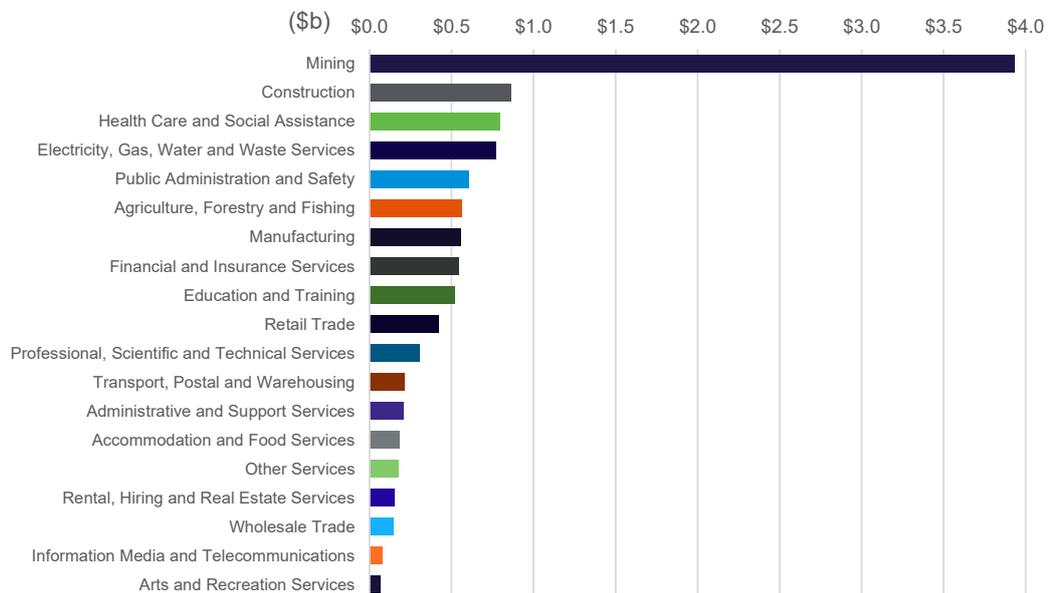
Location	Permanent employees	Contractors	Total
Yallourn	500	500 <sup>a</sup>	<b>1,000</b>
Loy Yang A	600	300	<b>900</b>
Loy Yang B	162	50	<b>212</b>
<b>Total</b>	<b>1,262</b>	<b>850</b>	<b>2,112</b>

a. Includes contractors for seasonal or scheduled projects at various times of year.

Source: Latrobe City Council, *Submission 5*, p. 6.

Latrobe City Council noted that historically, electricity generation has ‘dominated the economic profile of Latrobe City’.<sup>6</sup> Although the health services sector is the largest employer in the region, Latrobe City and indeed the Latrobe Valley’s economy remains heavily reliant on mining as its main source of economic output. In 2019–2020, mining accounted for more than 35% of the region’s total Gross Value Add (\$3.9 billion). In comparison, the health services sector was priced at \$0.8 billion.<sup>7</sup> A comparison of Gross Value Add per industry is provided in Figure 2.2.

**Figure 2.2 Gross Value Add by industry in the Latrobe Valley**



Source: Department of Jobs, Precincts and Region, *Submission 62*, p. 5.

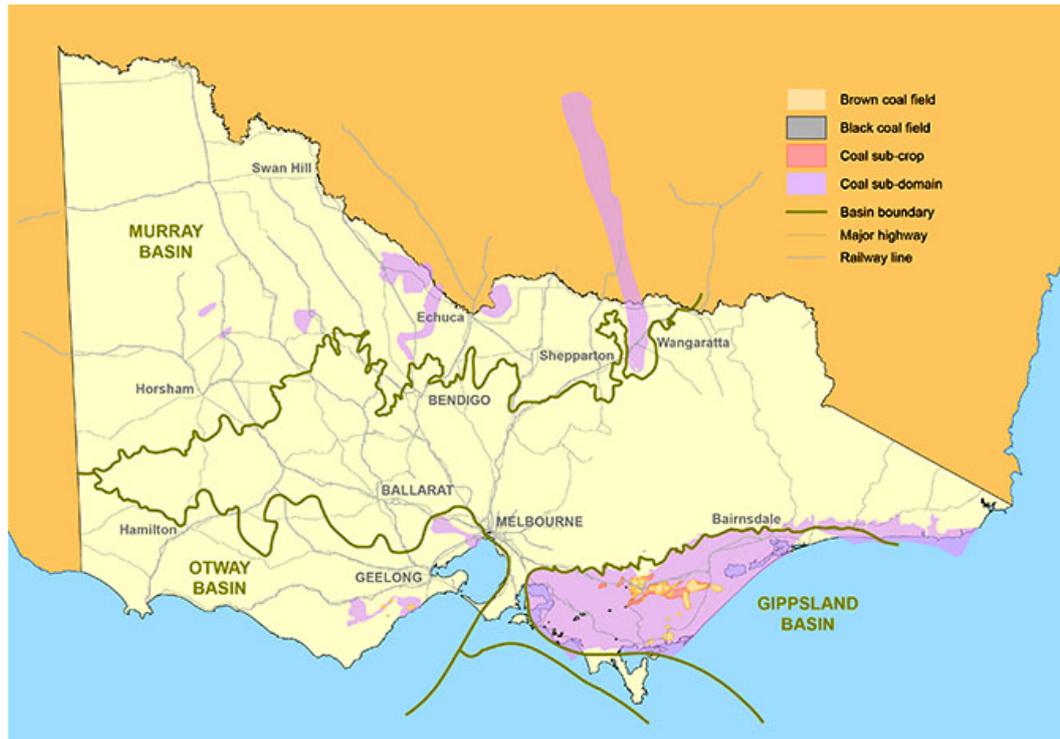
<sup>6</sup> Latrobe City Council, *Submission 5*, p. 2.

<sup>7</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 4.

## 2.2.1 Brown coal reserves in the Latrobe Valley

The Latrobe Valley holds approximately 65 billion tonnes of brown coal. This equates to 80% of Victoria's total brown coal reserves and 25% of the world's known brown coal reserves. Earth Resources Victoria estimates that 33 billion tonnes of Latrobe Valley coal is 'potentially economic'.<sup>8</sup> Figure 2.3 shows where brown coal is found in Victoria.

**Figure 2.3** Location of brown coal reserves in Victoria



Source: Department of Jobs, Precincts and Regions, Earth Resources, *Earth Resources: Coal*, 2021, <<https://earthresources.vic.gov.au/geology-exploration/coal>> accessed 11 April 2022.

Latrobe Valley coal is unique as it is light in density and low in impurities. It is found in thick seams within coal fields with a low waste rock ratio. This makes mining coal in the Latrobe Valley more cost effective, as more coal is mined with less waste rock. In Hazelwood, for example, the strip ratio (coal to waste rock) is between 4:1 and 5:1, whereas internationally, this figure is reversed.<sup>9</sup>

## 2.2.2 The social significance of coal mining in the Latrobe Valley

Brown coal was discovered in the Latrobe Valley in 1873 and has been commercially mined since 1887. The Hazelwood Mine Fire Inquiry acknowledged that the Latrobe Valley has 'been at the centre of Victoria's coal mining and power generation activities'

<sup>8</sup> Department of Jobs, Precincts and Regions, Earth Resources, *Earth Resources: Coal*, 2021, <<https://earthresources.vic.gov.au/geology-exploration/coal>> accessed 11 April 2022.

<sup>9</sup> Hazelwood Mine Fire Inquiry, *Hazelwood Mine Fire Inquiry Report: Volume IV*, 2015/2016, p. 28.

since the mid-1900s, playing ‘a key role in the social and economic development’ of the region.<sup>10</sup>

In 1920, the State Electricity Commission of Victoria (SECV)<sup>11</sup> was tasked with developing an open cut mine for brown coal production in the Latrobe Valley. This became the Yallourn power station, which commenced operation in 1921.

SECV operations expanded in the post-war years as demand for electricity grew. This included commissioning the Hazelwood power station (opened in 1964), Loy Yang A (1984) and Loy Yang B (1993).<sup>12</sup> The SECV was privatised in the mid-1990s leading to a number of job losses, which the Committee was told contributed to a feeling in the community of being abandoned.<sup>13</sup> This issue is addressed in detail in Chapter 5.

Work in the mines and power stations attracted local and migrant workers and the development of regional town centres in the Latrobe Valley. Box 2.1 explains the importance of coal mining and electricity generation to the identity of the Latrobe Valley, especially for migrant workers.

### BOX 2.1: Settlement and development in the Latrobe Valley

Jack Vines’ *Coal Mining Heritage in Victoria*, published in 2008, provides a comprehensive overview of the social significance of coal mining and electricity generation in Victoria. It particularly refers to the important role that electricity generation and mining activities in the Latrobe Valley played in the historical settlement of towns now deemed important regional centres, such as Yallourn and Morwell.

The town of Yallourn North, for example, began as a tent town of domestic and migrant workers from the Great Morwell mine. Its population was 200 people in 1918 but later peaked at 3,000 people, developing infrastructure along the way. By the 1960s, the SECV had established public housing in Yallourn North as the Yallourn North Open Cut and Yallourn Works continued to attract a large immigrant workforce. Of the role of migrant settlement, Jack Vines wrote:

For many of these migrants this was their first home and first workplace in Australia. The township remains a closely knit dormitory township mainly for the employees of the mining and power generation companies in the Latrobe Valley. Former migrant employees... formed the core of this township population, and many second and third generation employees of the mining and power industry in the Latrobe Valley trace their

(Continued)

<sup>10</sup> Ibid., p. 32.

<sup>11</sup> The SECV succeeded the Electricity Commissioners public corporation established in 1918. It also had a wider mandate than that of the Electricity Commissioners, which was to regulate coal mining and electricity generation in Morwell.

<sup>12</sup> Jack Vines, *Coal Mining Heritage Study in Victoria*, Heritage Council of Victoria, Melbourne, 2008, p. 11; AGL, *AGL Loy Yang Power Station*, <<https://www.agl.com.au/about-agl/how-we-source-energy/loy-yang-power-station>> accessed 12 April 2022; Loy Yang B, *Loy Yang B Power Station*, <<https://www.loyyangb.com.au>> accessed 12 April 2022.

<sup>13</sup> Jane Sultana, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*.

**BOX 2.1: Continued**

work and housing origins to the YNOC (Yallourn North Open Cut) and its township ... the Yallourn North Township originating from the workforce needs of the YNOC remains a vibrant community to this day.

The Morwell Open Cut was originally staffed with first-generation Australians who transferred from the YNOC. Subsequent employees were also 'largely' new migrants and accordingly, public housing and infrastructure was commissioned to support workforce and population increase. This settlement became known as Churchill—population 4,783 at the last Census.

Mining and coal-fired power generation has played a key role in migration and settlement in the Gippsland basin.

Source: Jack Vines, *Coal Mining Heritage Study in Victoria*, Heritage Council of Victoria, Melbourne, 2008, pp. 204, 213; Australian Bureau of Statistics, *2016 Census Quickstats: Churchill (Vic)*, 2022, <[https://quickstats.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/S5C20558](https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/S5C20558)> accessed 12 April 2022.

Many stakeholders in this Inquiry described how the Latrobe Valley's identity is strongly based on coal mining and electricity generation<sup>14</sup> and expressed concern about the socioeconomic future of the region as coal-fired power is phased out.<sup>15</sup> This is discussed further in Chapter 6.

**FINDING 1:** The use of brown coal for power generation and related purposes has shaped the history, economic profile and identity of the Latrobe Valley for over a century. It has driven prosperity and growth across the state of Victoria and more broadly the national electricity grid.

## 2.3 The transition to renewable energy

The long reliance on coal-fired power stations to meet energy needs at both state and national levels drove concerns among stakeholders as to how the transition to renewable energy will work.

### 2.3.1 State legislation

As is well known, coal-fired power stations are a major producer of greenhouse gases. In its submission to this Inquiry, the Victorian Trades Hall Council apportioned more than half (52%) of Victoria's greenhouse gas emissions to electricity generation.<sup>16</sup>

<sup>14</sup> Erin Coldham, Chief Development Officer, Star of the South, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 44.

<sup>15</sup> Wendy Farmer, President, Voices of the Valley, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 12.

<sup>16</sup> Victorian Trades Hall Council, *Submission 19*, p. 2.

The transition to renewable energy is legislated in Victoria. The *Renewable Energy (Jobs and Investment) Act 2017* (Vic) outlines renewable energy targets as:

- 25% by 2020
- 40% by 2025
- 50% by 2030.<sup>17</sup>

These statutory renewable energy targets are also accompanied by policy targets for offshore wind generators (4 gigawatts by 2035 and 9 gigawatts by 2040).<sup>18</sup>

The Legislative Council's Environment and Planning Committee's *Inquiry into Renewable Energy in Victoria*, which tabled its report on 26 May 2022, heard that the Commonwealth Government has failed to coordinate a national approach to the transition to renewable energy. This has prompted State Governments, including the Victorian Government, to take their own measures in reaching emissions reduction and renewable energy targets.<sup>19</sup>

### 2.3.2 Victorian Government initiatives to transition to renewable energy

In cooperation with the Australian Energy Market Operator (AEMO), the Victorian Government has developed six Renewable Energy Zones (REZ) across the State. REZs are the areas which will host Victoria's future renewable energy generators. Each zone has been chosen because it has natural attributes that are advantageous for renewable energy generation. This includes areas of high solar radiation and/or high average wind speeds. Another consideration is the proximity of the REZs to existing transmission infrastructure.

One of the six REZs is located in Gippsland and includes the Latrobe Valley.

To support the construction of renewable energy generators in REZs, the Victorian Government:

- has held, and continues to hold, renewable energy auctions
- established VicGrid in 2021, a division within the Department of Environment, Land, Water and Planning
- pledged \$540 million to support REZ network infrastructure in the 2020–2021 State Budget.<sup>20</sup>

<sup>17</sup> *Renewable Energy (Jobs and Investment) Act 2017* (Vic) s 7.

<sup>18</sup> Premier of Victoria, *Victoria launches Australia's first offshore wind targets*, media release, 4 March 2022.

<sup>19</sup> Professor Bruce Mountain, Director, Victoria Energy Policy Institute, public hearing, Melbourne, 17 March 2022, *Transcript of evidence*, to the Legislative Council's Environment and Planning Committee's Inquiry into renewable energy in Victoria, pp. 32–33.

<sup>20</sup> Department of Environment, Land, Water and Planning, *Renewable energy zones, 2022*, <<https://www.energy.vic.gov.au/renewable-energy/renewable-energy-zones>> accessed 12 April 2022.

In addition to the work underway commissioning renewable energy generators in REZs, the Victorian Government released its *Offshore Wind Policy Directions Paper* in March 2022. The Paper details the Government's intention to host Australia's first offshore wind farm and a target to build 9 gigawatts of offshore wind generation capacity by 2040.<sup>21</sup> One of the first wind farms projected for operation is the Star of the South, off the coast of Gippsland, which is working to open in 2028 and provide up to 2.2 gigawatts of generation capacity.<sup>22</sup> The Star of the South is discussed further in Chapter 6.

The Victorian Government also initiated the Solar Homes program, which provides rebates for rooftop solar, solar hot water and home batteries. Rooftop solar generated 1.3% of the State's electricity in 2020, comprising 5% of the 2020 renewable energy target. By 2027–2028, rooftop solar is projected to reduce Victoria's electricity sector emissions by 1.8 million tonnes per annum.<sup>23</sup>

The transition to renewable energy is designed to ensure Victoria has an adequate renewable energy supply to replace coal-fired power generators as they retire. This can present challenges, particularly given the variability of renewable energy during periods of unfavourable weather. The Victorian Government, in partnership with AEMO, is pursuing a number of strategies to ensure the security of Victoria's energy supply. These include the construction of 'firming' tools (such as utility scale batteries and pumped hydro) ensuring a geographic spread of renewable energy generators and a diversity of generator type, as well as strengthening Victoria's transmission network. Rooftop solar and batteries will also play a role in energy security.<sup>24</sup>

These issues are addressed in detail in the Legislative Council's Environment and Planning Committee's *Inquiry into Renewable Energy in Victoria*.

<sup>21</sup> Department of Environment, Land, Water and Planning, *Offshore wind*, policy directions paper, March 2022.

<sup>22</sup> Erin Coldham, *Transcript of evidence*, pp. 44, 47.

<sup>23</sup> Department of Environment, Land, Water and Planning, *Victorian Renewable Energy Target: 2020/21 Progress Report*, 2021, p. 2.

<sup>24</sup> See: Parliament of Victoria, Legislative Council Environment and Planning Committee, *Inquiry into Renewable Energy in Victoria* <https://www.parliament.vic.gov.au/epc-lc/article/4461>; <https://www.parliament.vic.gov.au/epc-lc/article/4462>.

# 3 The closure of the Hazelwood mine and power station

## 3.1 Introduction

This Chapter discusses the recent history of the Hazelwood mine and power station. It begins by looking at the events leading to the closure of the Hazelwood mine and power station and the immediate response to the closure. This includes the work of the Latrobe Valley Authority (LVA) in providing support to Hazelwood workers and the Latrobe Valley community. The Chapter concludes with a review of the impact of the closure on the Latrobe Valley.

## 3.2 The Hazelwood mine fire and inquiries

On 9 February 2014, a fire broke out at an open cut brown coal mine owned by GDF Suez (now Engie) at Hazelwood. The fire burned for 45 days and led to significant environmental and health impacts for residents in surrounding communities.

In March 2014, the Victorian Government announced an independent inquiry into the Hazelwood mine fire. A report was tabled in Parliament in September 2014, however, the inquiry was re-opened in 2015 due to concerns about the health impacts of the fire. Most relevant to this Inquiry, the expanded Terms of Reference included investigating rehabilitation opportunities for all three open cut coal mines located in the Latrobe Valley.<sup>1</sup>

In June 2016, the Victorian Government tabled its response to the Inquiry, titled *Hazelwood Mine Fire Inquiry: Victorian Government Implementation Plan*. The Plan outlined the 246 actions the Government committed to implementing by 2020, which included addressing all recommendations made by the Mine Fire Inquiry. The Victorian Government committed funding of \$80 million to fulfill the Plan.<sup>2</sup>

In its submission to this Inquiry, the Department of Jobs, Precincts and Regions (DJPR) noted that the Implementation Plan included the creation of the Health Innovation Zone in the Latrobe Valley to give the community more of a say in planning and delivering health services. In addition, the Plan has led to changes in mine rehabilitation policy and regulation:

Major achievements from the Implementation Plan reported to date include improved health and wellbeing through innovative, coordinated and increased services in the

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1 Hazelwood Mine Fire Inquiry, *Hazelwood Mine Fire Inquiry Report: Volume II*, 2015/2016, pp. 5–6.

2 Victorian Government, *Hazelwood Mine fire inquiry - Victorian Government response and actions*, 2021, <<https://www.vic.gov.au/hazelwood-mine-fire-inquiry-victorian-government-response-and-actions>> accessed 22 March 2022.

Latrobe Valley, improved air quality and wellbeing, changes to Latrobe Valley coal mine rehabilitation bonds and Latrobe Valley coal mine regulation, and the release of the *Latrobe Valley Regional Rehabilitation Strategy*.<sup>3</sup>

The Inspector-General for Emergency Management is the sole implementation monitor for the Plan. Its 2021 Progress Report stated that 241 of the 246 actions outlined in the Implementation Plan were now either closed or complete.<sup>4</sup> Mine rehabilitation is discussed further in Chapter 6.

### 3.3 The announcement of the closure of the Hazelwood mine and power station

On 3 November 2016, Engie, the owner and operator of Hazelwood power station announced that the station and adjoining coal mine would be permanently closed on 31 March 2017. This gave workers, the Latrobe Valley community and the Victorian Government five months to prepare for the closure.<sup>5</sup>

Steve Dodd, Secretary of the Gippsland Trades and Labour Council, explained that the announcement of the closure was a shock and that the community did not have much time to prepare. He said: 'I think in real terms a lot of those people were taken off guard. The community was taken off guard.'<sup>6</sup>

At a public hearing, the CEO of Engie Australia and New Zealand, Augustin Honorat, said that the reasons for closing Hazelwood related to the advanced age of the plant and that there were significant upgrades needed to keep the plant operating safely, which would have cost hundreds of millions of dollars. This was in the context of low profit margins and the company's aim to decarbonise its generation capacity. Mr Honorat told the Committee:

Our decision to close the Hazelwood power station was determined by three conditions which had progressively developed and came together in 2016, about six years ago. Operationally, after more than 50 years the plant was working beyond its design life. It was commissioned in 1964, and its operational life was extended multiple times by the SEC and by private operators to a point where it was no longer possible to replace or refurbish the plant's critical systems to keep it operating, let alone operating safely.

...

Economically, Hazelwood required hundreds of millions of dollars in upgrades to continue operating safely, and this capital would have had to be deployed in a

<sup>3</sup> Department of Jobs, Precincts and Regions, *Submission 62*, pp. 7–8.

<sup>4</sup> Inspector-General for Emergency Management, *Hazelwood Mine Fire Inquiry Implementation of recommendations and affirmations: Progress Report 2021*, State of Victoria, 2021, p. 8.

<sup>5</sup> John Wiseman, Annabelle Workman, Sebastian Fastenrath, Frank Jotzo, *After the Hazelwood coal fired power station closure: Latrobe Valley regional transition policies and outcomes 2017–2020*, working paper, no. 2010, Australian National University Crawford School of Public Policy Centre for Climate and Energy Policy, November 2020, p. 11.

<sup>6</sup> Steve Dodd, Secretary, Gippsland Trades and Labour Council, public hearing, Traralgon, 2 March 2016, *Transcript of evidence*, p. 15.

chronically oversupplied and low-price wholesale environment at the time, where the prospect of any economic return was very unlikely.

Strategically, the Engie Group committed to exiting its interests in coal generation worldwide, viewing the environmental, social and economic costs of coal as too high. Engie at that time set a new direction to enable the transition to decarbonisation for our customers, which is a strategy that we continue to progress today in Australia, in the region and worldwide.<sup>7</sup>

In its submission to the Inquiry, Engie reiterated the company's global commitment to 'divest and retire coal-fired generation assets'. Part of the commitment included supporting workers and communities affected by the transition. It said that the power station was originally planned to close in 2009 but had remained open to meet Victoria's electricity needs.<sup>8</sup>

A paper by academics at the Crawford School of Public Policy at the Australian National University titled: *Coal Transition in Australia: an overview of issues*, speculated that additional factors may have led to the closure. These include:

- the adverse health and community impacts of the Hazelwood mine fire
- an increase in coal royalties charged by the Victorian Government.<sup>9</sup>

Engie told the Committee that it had discussions with the Commonwealth and Victorian Governments about the closure of the plant and investigated the possibility of a staged closure for Hazelwood. However, it may not have been economically viable, particularly, as mentioned, given the age and reliability of the plant.<sup>10</sup>

The Hazelwood power station stopped producing electricity on 29 March 2017. The Inquiry heard that at the time of the closure, Hazelwood directly employed 750 workers, comprising:

- 450 permanent employees with an average age of 52 years and an average tenure of 25 years
- 300 contractors.<sup>11</sup>

Salary figures for the 2016 financial year totalled \$36 million.<sup>12</sup>

The Committee heard that Hazelwood's closure was an 'economic shock to the region' and caused uncertainty and stress for workers who lost their jobs.<sup>13</sup> The impact of the closure on workers, local businesses and the region is discussed in Section 3.8.

<sup>7</sup> Augustin Honorat, Chief Executive Officer, Engie, public hearing, 3 March 2022, *Transcript of evidence*, pp. 11–12.

<sup>8</sup> Engie, *Submission 30*, p. 5.

<sup>9</sup> Frank Jotzo, Salim Mazouz, John Wiseman et al, *Coal transition in Australia: an overview of issues*, working paper, no. 1811, Australian National University Crawford School of Public Policy Centre for Climate & Energy Policy, September 2018, p. 33.

<sup>10</sup> Jamie Lowe, Head of Regulation, Engie, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, pp. 16–17.

<sup>11</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 9.

<sup>12</sup> Frank Jotzo, *Coal transition in Australia: an overview of issues*, p. 33.

<sup>13</sup> *Ibid.*, p. 23; Department of Jobs, Precincts and Regions, *Submission 62*, p. 6.

### 3.4 The Latrobe Valley Support Package

On 3 and 4 November 2016, the Victorian Government announced the Latrobe Valley Support Package. It totalled \$266 million, with funding designed to:

- support workers and businesses affected by the closure
- facilitate regional transition.<sup>14</sup>

The package included \$20 million to establish the LVA—a centralised body to coordinate the regional transition (the LVA is discussed in detail in Chapter 5)—as well as \$22 million for affected workers and businesses.<sup>15</sup> Funding allocations are provided in Table 3.1 below.

**Table 3.1 Breakdown of the Latrobe Valley Support Package (November 2016)**

Allocation	Responsible agency	Amount (\$ million)
Latrobe Valley Sports and Community Initiative <sup>a</sup>	LVA, Department of Environment, Land, Water and Planning (DELWP)	65.0
Economic Growth Zone	LVA	50.0
Worker Transition Support	LVA	22.0
LVA operational funding	LVA	20.0
Worker Transfer Scheme <sup>b</sup>	LVA, State Revenue Office	20.0
Community and Facility Fund	LVA	20.0
Latrobe Valley GovHub	LVA, Regional Development Victoria	18.0
LVA Discretionary Fund	LVA	10.0
Supporting the Families of the Latrobe Valley <sup>c</sup>	Department of Education and Training (DET), Department of Health and Human Services (DHHS)	8.9
Energy Efficiency Initiatives	DELWP	7.5
Tourism and Visitor Economy	DJPR	6.5
Latrobe Valley school upgrades	DET	6.0
Planning in the Economic Growth Zone	DELWP	5.0
Youth Space Morwell	DHHS	4.3
Good Money Outlet – Morwell	DHHS	2.3
<b>Total</b>		<b>265.5</b>

a. An additional \$20 million of reprioritised funding allocated taking program cost to \$85 million.

b. Total includes \$6 million in funding for Back to Work Scheme administered by SRO.

c. Program cost is \$9.9 million with \$1 million taken from LVA Discretionary Fund.

Source: Adapted from KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, report for Department of Jobs, Precincts and Regions, 2020, p. 51.

<sup>14</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 6.

<sup>15</sup> Premier of Victoria, *Labor Government to support Hazelwood workers*, media release, 2016.

Further detail about these programs, including their objectives and operation, can be found in Sections 3.5 and 3.7.

The Commonwealth Government also announced a \$43 million support package to support workers and the wider region in November 2016. The package included \$20 million in support for local infrastructure, \$3 million to help employees and a \$20 million Regional Jobs and Investment Package to help create local jobs and growth, build a highly skilled local workforce, take advantage of export opportunities and diversify the economy.<sup>16</sup>

No additional transition funding has been provided by the Commonwealth Government.

## 3.5 The Latrobe Valley Authority's immediate response to the closure of Hazelwood

The submission from DJPR said: 'The limited notice of the Hazelwood closure necessitated a rapid response by the Victorian Government to design and deliver support.'<sup>17</sup>

The LVA's first task was to provide immediate assistance to affected workers and their families.<sup>18</sup> Two key programs the LVA established to do this were the Worker Transition Service and the Worker Transfer Scheme.

### 3.5.1 The Worker Transition Service

The Worker Transition Service works mainly with ex-Hazelwood workers, contractors and their families to provide 'holistic, individualised service, employment support, training advice, financial counselling, personal and family support and small business advice'.<sup>19</sup> It was also expanded to respond to the closure of other industries in the Latrobe Valley, particularly the timber industry with the closure of the Carter Holt Harvey Sawmill.<sup>20</sup>

An analysis by KPMG on the LVA's programs, *Latrobe Valley Authority Lapsing Program Evaluation*, described the type of support offered by the Worker Transition Service:

- supporting workers looking for a job, e.g. resume writing, interview preparation
- supporting workers to undertake relevant training and qualification attainment
- supporting the starting or growing of small businesses

<sup>16</sup> Ministers of the Education, Skills and Employment Portfolio, *Government to support Hazelwood workers*, media release, 3 November 2016.

<sup>17</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 9.

<sup>18</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, report prepared by KPMG, report for Department of Jobs, Precincts and Regions, 2020, p. 25.

<sup>19</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 9.

<sup>20</sup> Ibid.

- the provision of broader financial support
- personal and family support e.g. counselling.<sup>21</sup>

To date, the Worker Transition Service has provided a total of 31,056 ‘career navigation and support’ sessions along with 5,486 health and wellbeing support sessions.<sup>22</sup>

At a public hearing, Chris Buckingham, the LVA’s Chief Executive Officer, described the operation of the Service:

At the outset the LVA committed to a compassionate response that took into account the needs of everybody impacted by the Hazelwood power station closure, empowering and supporting them to make decisions about their future. Through the Worker Transition Service we have facilitated and delivered a response that has supported 730 Hazelwood workers and also their families, friends and neighbours.<sup>23</sup>

The submission from DJPR said that the Service supported around 120 family members.<sup>24</sup>

Four other bodies work with the LVA on the Worker Transition Service:

- Gippsland Trades and Labour Council
- Gippsland Employment Skills and Training
- Workways
- TAFE Gippsland Skills and Jobs Centre Morwell.<sup>25</sup>

The submission from the Gippsland Trades and Labour Council gave an overview of its contribution to the Service, noting the importance of peer support work:

Since the closure of Hazelwood we have maintained an open door and a no appointment required policy for Hazelwood workers and their families. COVID related lockdown periods resulted in some disruption to our face-to-face support but workers could continue to contact our staff and peer-to-peer support officer. In our early discussions with the LVA, we maintained that it was important that the support officer be someone from the power industry who knew how to engage with and support workers. The support provided by the peer-to-peer support officer has made an important impact on many lives ...<sup>26</sup>

Training is another key aspect of the Service. Training providers have helped workers access courses to upgrade their skills and qualifications. DJPR explained that power station workers have been able to access nationally recognised courses, as opposed

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21 KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 29.

22 Department of Jobs, Precincts and Regions, *Submission 62*, p. 9.

23 Chris Buckingham, Chief Executive Officer, Latrobe Valley Authority, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 1.

24 Department of Jobs, Precincts and Regions, *Submission 62*, p. 9.

25 Ibid.

26 Gippsland Trades and Labour Council, *Submission 28*, p. 3.

to their previous site-specific training. Thereby broadening their future career options beyond the Latrobe Valley. Its submission provided the following data:

Over 450 individuals were trained through 1343 training sessions with the following licences and tickets being provided:

- 291 working safely at heights
- 235 confined spaces
- 223 track safety awareness (rail)
- 200 first aid
- 132 construction induction
- 262 other.<sup>27</sup>

The Gippsland Trades and Labour Council also gave an overview of the types of courses provided and how training has helped workers find new employment:

The GTLC arranged for workers to access 203 short courses including Construction Induction, Power Induction, Forklift, EWP, Confined Space, Work Safely at Heights, Asbestos Removal, Electrical Spotter Low Voltage Rescue, CPR, Level 2 First Aid and Traffic Management. These short courses enable workers to quickly acquire ‘tickets’ needed to access regional employment opportunities. The GTLC also assisted some 215 people to attend individual courses at TAFE (Certificate III in Civil Construction representing 66% of qualifications completed) and 41 individuals to receive training at ACE Training in specialist areas such as Heavy Rigid Licences. This upskilling played an important role in enabling displaced Hazelwood workers to secure employment in over 22 different sectors with the top two sectors being mining and energy (46%) and construction and trade (30%).<sup>28</sup>

According to DJPR, as of March 2021 the employment outcomes of the Worker Transition Service for former Hazelwood workers were:

- 79% were employed
- 16% were looking for work
- 5% had retired.<sup>29</sup>

The submission also stated that some workers used the Service to reduce their working hours ‘as part of a whole-of-family decision on what a physically and mentally healthy work–life balance meant for them.’<sup>30</sup> The Service remains available for affected workers as required.<sup>31</sup>

<sup>27</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 10.

<sup>28</sup> Gippsland Trades and Labour Council, *Submission 28*, p. 2.

<sup>29</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 10.

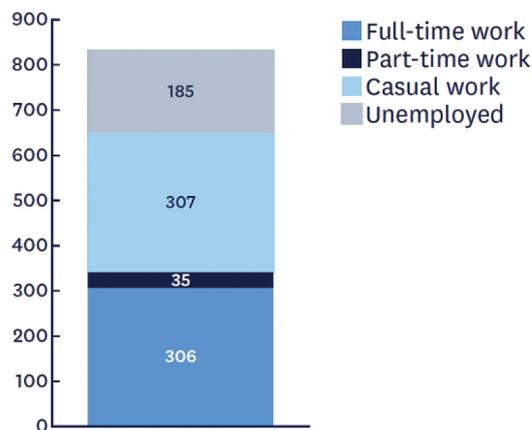
<sup>30</sup> *Ibid.*, p. 9.

<sup>31</sup> Department of Jobs, Precincts and Regions, correspondence, 28 April 2022, p. 1.

However, a concern was raised by the CFMMEU Mining and Energy Division Victorian District Branch about the nature of employment found by some of the workers in the Worker Transition Service. At a public hearing, Geoff Dyke, Victorian District Secretary of the Union, said that some employees had only found short-term casual work despite wanting full-time work.<sup>32</sup>

The submission from Environment Victoria provided a breakdown of the employment status of Hazelwood workers two years after the closure of the mine. This is shown in Figure 3.1 below.

**Figure 3.1** Employment status of ex-Hazelwood workers two years after its closure



Note: Environment Victoria based their figure on: Tom Barrett, Liana Downey, Josh Grice, Harry Guinness, Aurora Hawcroft, Josh Steinert, Nathan Twibill, *From the ground up: A Blueprint for economic diversification in regional Australia*, Blueprint Institute, 2021. This report quoted an ABC News online article, 'Latrobe Valley workers face legacy of unstable work two years after Hazelwood closure', <<https://www.abc.net.au/news/2019-06-22/hazelwood-workers-in-unstable-work-two-years-on/11235112>> accessed 22 April 2022.

Source: Environment Victoria, *Submission 46*, p. 12.

The Committee acknowledges that the Worker Transition Service has not resulted in jobs for all ex-Hazelwood employees and that some of the jobs taken up were not permanent or full-time. Reasons for this include its, understandably, rushed beginnings and the fact that this was the first time such a service had been tried in Victoria.

Despite this, the Committee considers the Worker Transition Service has been the backbone of the recovery effort for ex-Hazelwood workers, contractors and their families. The individualised, place-based employment counselling and training assistance has helped many ex-workers find new employment. It is clear to the Committee that the LVA and its partner organisations showed compassion and dedication in setting up the Service to help workers and their families through difficult circumstances.

<sup>32</sup> Geoff Dyke, Victorian District Secretary, CFMMEU Mining and Energy Division, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 46.

### 3.5.2 The Worker Transfer Scheme

The Worker Transfer Scheme was an agreement negotiated with Latrobe Valley unions and the remaining coal-fired power stations at Yallourn and Loy Yang to employ ex-Hazelwood workers.<sup>33</sup> The Victorian Government provided \$20 million funding for the Scheme, which commenced on 1 April 2017.<sup>34</sup> It aimed to employ 150 workers from Hazelwood at other power stations.<sup>35</sup>

The Committee heard that 90 vacancies were created at Loy Yang and Yallourn through an early retirement Scheme. These vacancies were filled by ex-Hazelwood workers. However, the CFMMEU Mining and Energy Division Victorian District Branch believed that there would have been more vacancies if the energy companies had allowed everyone who expressed interest in the Scheme to retire. It said that 230 employees had formally expressed an interest in using it to retire.<sup>36</sup>

The CFMMEU Mining and Energy Division Victorian District Branch also expressed disappointment that the Scheme did not reach its target of transferring 150 workers and believed that only half of all new vacancies that had since come up at the power stations were filled by ex-Hazelwood workers. Mr Dyke said:

So we think that that Scheme is a great idea if you are in an industry that is spiralling down, but it needs better regulation and it needs some sort of control and coordination to be properly managed to get the maximum benefit.<sup>37</sup>

Mr Dyke added that the Scheme was a great benefit to AGL, saying:

The blokes that we picked up from Hazelwood were superbly keen and enthusiastic, and the company actually got a bit of a shock. They thought they were going to get these discarded workers, and these workers that came across were highly skilled and enthusiastic and actually added a bit of life into the place.<sup>38</sup>

This was also acknowledged by Christo Van Niekerk, General Manager at AGL Loy Yang, who told the Committee: 'We had some very skilled Hazelwood ex-employees who could fit into our organisation. We could train them quicker because they already had those skills, particularly in our station operations.'<sup>39</sup>

The Worker Transfer Scheme closed to new entrants on 31 March 2019.<sup>40</sup>

While the Scheme did not result in the number of transfers it set out for, it helped 90 ex-Hazelwood workers to continue to work in the industry for which they are trained

<sup>33</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 10.

<sup>34</sup> Department of Jobs, Precincts and Regions, correspondence, p. 1.

<sup>35</sup> Australian Carbon Innovation, *Submission 17, Attachment 3*, p. 12.

<sup>36</sup> CFMMEU, Mining & Energy Division, Victoria District Branch, *Submission 10*, p. 3.

<sup>37</sup> Geoff Dyke, *Transcript of evidence*, p. 40.

<sup>38</sup> *Ibid.*, p. 48.

<sup>39</sup> Christo van Niekerk, General Manager, AGL Loy Yang, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 26.

<sup>40</sup> Department of Jobs, Precincts and Regions, correspondence, p. 1.

and have experience. Their continued employment supports the wider Latrobe Valley economy.

Stakeholders in this Inquiry noted that such transfer schemes will be increasingly difficult in the future as the remaining coal-fired power stations and mines in the Latrobe Valley close. This is discussed further in Chapter 4.

**FINDING 2:** The Worker Transition Service and Worker Transfer Scheme, the first in Australia, were successful in assisting workers affected by the closure of the Hazelwood Power Station to, depending on individuals' priorities and objectives:

- train and qualify for new jobs in different industries and sectors
- transfer to substantively similar or identical jobs at other power stations
- plan for retirement.

### 3.6 Decommissioning and demolition of Hazelwood

The Hazelwood power station was decommissioned immediately after it closed in March 2017 to enable its demolition and mine rehabilitation work. This work has been undertaken by Engie.

Decommissioning has been an enormous task. The submission from Engie gave an overview of the work required:

During decommissioning:

- 1.3 million litres of oil were removed from site and recycled
- 1,886 plant permits were issued
- 392 rooms within the Power Station buildings were decommissioned
- 189 safety walks were completed
- 1,500 cables were cut and approximately 500 batteries were removed as part of electrical de-energisation
- 150,000 hours of work were required to complete the work.<sup>41</sup>

The submission from Engie states that around 400 jobs were created to decommission and demolish the site. Mr Honorat from Engie told the Committee at a public hearing that about 100 ex-Hazelwood employees were involved in the decommissioning and demolition process.<sup>42</sup>

<sup>41</sup> Engie, *Submission 30*, p. 6.

<sup>42</sup> Augustin Honorat, *Transcript of evidence*, p. 12.

The submission also referred to Engie's commitment to employ local people where possible, with an average of 75% local employment across the project.<sup>43</sup>

However, the CFMMEU Mining and Energy Division Victorian District Branch believed that more could have been done to ensure local employment during the demolition phase, giving the example of asbestos removal being done by a Melbourne firm.<sup>44</sup>

Engie's submission acknowledged this issue stating: 'Specialist services have been imported when not available locally'.<sup>45</sup> It argued that there has been significant local employment outcomes for the project, including upskilling opportunities for workers involved in the decommissioning and demolition process. Engie believes there may be opportunities for workers to apply their skills and experience interstate as more coal-fired power stations close in the coming years.<sup>46</sup>

Despite this concern, the CFMMEU Mining and Energy Division Victorian District Branch pointed out that: '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.'<sup>47</sup>

The Victorian Government expects the decommissioning and demolition activities at Hazelwood to be complete by 2023, with rehabilitation of the mine likely to be ongoing for many years.<sup>48</sup> Mine rehabilitation is discussed in more detail in Chapter 6.

### 3.7 Recovery and capability building projects

Following the immediate support provided to Hazelwood workers and their families, the LVA and the Victorian Government focused on the wider Latrobe Valley community. The programs they set up aimed to build local businesses and create opportunities for economic growth and job creation. This has gone hand-in-hand with a series of investments in infrastructure and community grants aimed at improving liveability in the Latrobe Valley.

The Committee received evidence about two programs set up by the LVA:

- Growing Regional Opportunities for Work (GROW) Gippsland
- Access New Industries Program.

<sup>43</sup> Engie, *Submission 30*, p. 4.

<sup>44</sup> CFMMEU, *Submission 10*, p. 3.

<sup>45</sup> Engie, *Submission 30*, p. 4.

<sup>46</sup> *Ibid.*, p. 6.

<sup>47</sup> CFMMEU, *Submission 10*, p. 3.

<sup>48</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 7.

### 3.7.1 GROW Gippsland

GROW Gippsland supports companies in the Latrobe Valley to win procurement contracts in the region. It also comprises social procurement elements to generate job opportunities for young people, workers from closing industries, the Indigenous community and the long-term unemployed.<sup>49</sup> It works by connecting buyers and local suppliers with the large infrastructure projects in the region as well as other procurement contracts.

At a public hearing, Mr Buckingham from the LVA said that the program has helped small businesses engage with large companies and ensure the economic benefits from procurement contracts are kept in the region:

GROW Gippsland is a project that the LVA has sponsored and supported over a number of years which actually encourages local small businesses to engage with bigger local businesses and indeed multinationals to ensure that they actually get the opportunity to do business and actually indeed retain dollars within the region.<sup>50</sup>

KPMG's *Latrobe Valley Authority Lapsing Program Evaluation* gave an assessment of the success of the GROW Gippsland program as of 2019. It identified contracts for local businesses worth several hundred million dollars and concluded: 'Involvement in this program means that all compact signatories have committed to a project that will create local employment through the GROW procurement practices.'<sup>51</sup>

At the time of writing this Report, the LVA website listed 121 companies participating in the Scheme. This includes large renewable energy projects the Committee received evidence from, such as Star of the South and Marinus Link.<sup>52</sup> These two projects are discussed in Chapter 6.

### 3.7.2 Access New Industries Program

The Access New Industries Program engages with local businesses in growth industries to determine their workforce needs then provides training for candidates to meet these needs. The DJPR submission said that the program links 'local people with jobs in Gippsland's growth industries through tailored courses in patient transport, solar installation, health, disability services, transport and construction.'<sup>53</sup>

KPMG's analysis of the program showed that as of 2019, it had worked with 130 participants, although it had limited success with getting people employed:

<sup>49</sup> Latrobe Valley Authority, Grow Gippsland, <<https://lva.vic.gov.au/business-and-worker-support/grow-gippsland>> accessed 28 April 2022.

<sup>50</sup> Chris Buckingham, *Transcript of evidence*, p. 12.

<sup>51</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 33.

<sup>52</sup> Star of the South, *Submission 49*, p. 4; Bess Clark, Chief Executive Officer, Marinus Link Pty Ltd, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 38.

<sup>53</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 22.

The Access New Industries program administered by the LVA intends to link local people with jobs in growth industries in Gippsland through partnerships with organisations including TAFE Gippsland, Interchange Gippsland, West Gippsland Healthcare Group, LLENs and local industries such as health, construction, transport, disability and meat processors providers.

...

This includes courses in patient training, solar installation, health, disability services, transport and construction.<sup>54</sup>

### 3.7.3 Other programs funded by the Latrobe Valley Support Package

On top of the LVA's recovery and capability building projects, the Victorian Government has also initiated large investments in infrastructure and community facilities as part of the Latrobe Valley Support Package. These investments have been delivered by the LVA, Regional Development Victoria (RDV) and other agencies. A full list of the programs is included in Appendix B of this report.

The Committee received evidence about some of the key programs, including:

- Back to Work Scheme
- Economic Growth Zone reimbursements
- Community and Facility Fund
- Latrobe Valley Economic Development Program
- Latrobe Valley Sports and Community Initiative.<sup>55</sup>

The Back to Work Scheme, delivered through the State Revenue Office, provided funding for businesses that took on and trained unemployed people from the Latrobe Valley. The DJPR submission noted that it had supported 1,218 full-time roles and 280 part-time roles.<sup>56</sup>

Latrobe City Council noted the Scheme provided up to \$9,000 in funding per worker employed and trained through the Scheme.<sup>57</sup>

The Economic Growth Zone Reimbursements Scheme aimed to attract new businesses to the Latrobe Valley and support local businesses. This was done by reimbursing state and local government fees relating to the establishment and expansion of businesses. The DJPR submission said that 374 businesses had been supported, including 37 businesses new to the Latrobe Valley, at a cost of \$16.5 million.<sup>58</sup>

<sup>54</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 30.

<sup>55</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 11.

<sup>56</sup> *Ibid.*, p. 22.

<sup>57</sup> Latrobe City Council, *Submission 5*, p. 5.

<sup>58</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 22.

The Community and Facility Fund is aimed at improving liveability and community pride in the Latrobe Valley by providing infrastructure upgrades for community facilities and sponsoring events. The submission from DJPR said that \$22 million across 232 grants had been approved.<sup>59</sup> Latrobe City Council said that the Fund was used for infrastructure upgrades, such as refurbishing local Scout Halls, and had supported almost 50 local events.<sup>60</sup>

The Latrobe Valley Community and Sports Initiative is discussed in more detail in Chapter 5.

RDV delivered the Latrobe Valley Economic Development Program between 2016 and 2019. It comprised the Latrobe Valley Economic Facilitation Fund, the Latrobe Valley Supply Chain Transition Program and the establishment of the Gippsland Hi-Tech Precinct and Innovation Centre in Morwell among other initiatives. DJPR's submission said that the \$40 million program supported the creation of over 1,000 jobs. It gave an overview of the key elements of the program:

- Latrobe Valley Economic Facilitation Fund (LVEFF) – a \$10 million fund focused on identifying and supporting business growth, investment attraction, market access and new job creation, consistent with priorities set out in existing local economic development plans for the region, including those identified by the Gippsland Regional Partnership. 40 projects were supported leveraging \$94.4 million in capital investment
- Latrobe Valley Supply Chain Transition Program – a \$5 million fund providing intensive tailored support to 143 businesses that were part of the supply chain of Hazelwood Power Station and Mine and the Carter Holt Harvey Sawmill, assisting them to plan for their future, including access to new sectors and markets
- Establishment of the Gippsland Hi-Tech Precinct and Innovation Centre in Morwell
- Establishment of a dedicated Latrobe Valley Investment and Trade team to support industry transition
- \$5 million contribution to the Worker Transition Service.<sup>61</sup>

### 3.8 The economic impact of the closure of Hazelwood

The economic impact of Hazelwood's closure on the Latrobe Valley community has been felt deeply. The unexpected nature of the announcement and the lack of time to prepare for its closure exacerbated the distress felt by workers, some of whom had worked at the plant for many decades. The withdrawal of such a large contributor to the region's economic output also affected supply chain businesses and other supporting industries.

<sup>59</sup> Ibid., p. 21.

<sup>60</sup> Latrobe City Council, *Submission 5*, p. 5.

<sup>61</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 11.

Russell Northe MP, the Member for Morwell, gave an overview of the impact of the closure on the local community, noting the distress and anxiety felt by some workers and their families:

When you remove relatively high disposable income from a workplace and without replacement employment of a similar pay, then it will reverberate right across the community. Unfortunately, this is precisely what occurred when Hazelwood closed without adequate warning. As much as people mostly external to the region like to portray Hazelwood's closure as a successful transition, I beg to differ. I saw the tears, I saw the distress and anxiety, and I saw the feeling of helplessness that many individuals, families and businesses endured. Families did break down, relationships did break down and people left the region to find alternative employment – they are the facts.<sup>62</sup>

This pain was also noted by the Gippsland Trades and Labour Council, who stated that while it was able to help many ex-Hazelwood workers find new employment, the closure still caused significant harm:

The impact of job loss on Hazelwood's workers and their families cannot be underestimated. The stress it has caused on their lives and their family's lives has been immense. We witness this regularly in our offices.<sup>63</sup>

At a public hearing, Barry Dungey, a consultant with experience in the Latrobe Valley's energy industry, discussed how an enormous contribution to the economic output of the region is disappearing. He noted that in this context, the size of the Victorian Government's recovery effort, while unprecedented, does not make up the economic losses sustained by the community:

I think what is really hard for people that are outside the valley is to understand how much cash flows into the Latrobe Valley out of power stations. They really generate huge amounts of cash, and a lot of that money then flows directly back into the Latrobe Valley. A typical power station the size of a Hazelwood or a Loy Yang or even a Yallourn will generate something like \$90 million to \$110 million each into the local economy, and one of the really difficult challenges that we all face is how we replace that when they close down. Their asset sizes are huge. They provide extremely well-paid employment for not only full-time workers but also casuals that work there, and while the economic support to most people seems quite large compared to what is being lost, it actually is not that great.

So if you looked at the total expenditure granted to Latrobe Valley of \$250 million, \$220 million, that is really two years expenditure of that power station. So the valley has to be able to stand on its own feet after those funds have come through ...<sup>64</sup>

<sup>62</sup> Russell Northe MP, *Submission 63*, p. 3.

<sup>63</sup> Gippsland Trades and Labour Council, *Submission 28*, p. 4.

<sup>64</sup> Barry Dungey, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 50.

The Asbestos Council of Victoria expanded on the economic impact on allied businesses and how some people had moved away from the area:

Closure had a flow on effect for many contractors and allied businesses who were going to lose a significant loss of income in some instances or close altogether as the [power station] was a main source of income. It was a blow to our community, and some moved away from the area, which was also a loss for the area. Some businesses and contractors as well as employees of the power station chose to stay but they have struggled since the closure and the pandemic has now added another layer to the misery that was already being felt.<sup>65</sup>

Peter Montgomery, Managing Director, Hydraulic and Pneumatic Pty Ltd, a business that supplied parts for Hazelwood, described the economic impact of the closure on his business:

The business was heavily impacted by the closure of Hazelwood, this occurring effectively without notice and many years short of advice given prior. Effectively it translated into a loss of 23 per cent of our then current turnover and in direct deliveries to the Hazelwood mine, Hazelwood power and other second-tier customers that we supported here.

...

Effectively in dollar terms it equated for us—and bear in mind we are only a small business—to about \$1.2 million in loss of income. This was related to contracts and works we had in process such as modernisation of control panels and our involvement in and looking to supply equipment into the new overland conveyor system where they were planning to open a new coalface prior to closure, which was obviously abandoned.<sup>66</sup>

However, when considering macro-economic indicators such as Gross Regional Product and the unemployment rate across the region, the picture is not a wholly negative one. There has been a growth in the Gross Regional Product of the Latrobe Valley overall since the closure. The unemployment rate for the region, while relatively high at the time of the closure, initially fell in the years following.<sup>67</sup>

The submission from DJPR provided the Committee with information about macro-economic indicators, including Gross Regional Product for the three LGAs that make up the Latrobe Valley, over the period of Hazelwood's closure.

The submission noted the increase in overall Gross Regional Product in the period since 2014, when it was at its lowest in the data presented:

Since 2014, the Gross Regional Product (GRP) of the Latrobe Valley region has increased 12.3 per cent from \$11.3 billion to \$12.7 billion. Latrobe City is the main contributor to

<sup>65</sup> Asbestos Council of Victoria, *Submission 21*, p. 1.

<sup>66</sup> Peter Montgomery, Managing Director, Hydraulic and Pneumatic Pty Ltd, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 1.

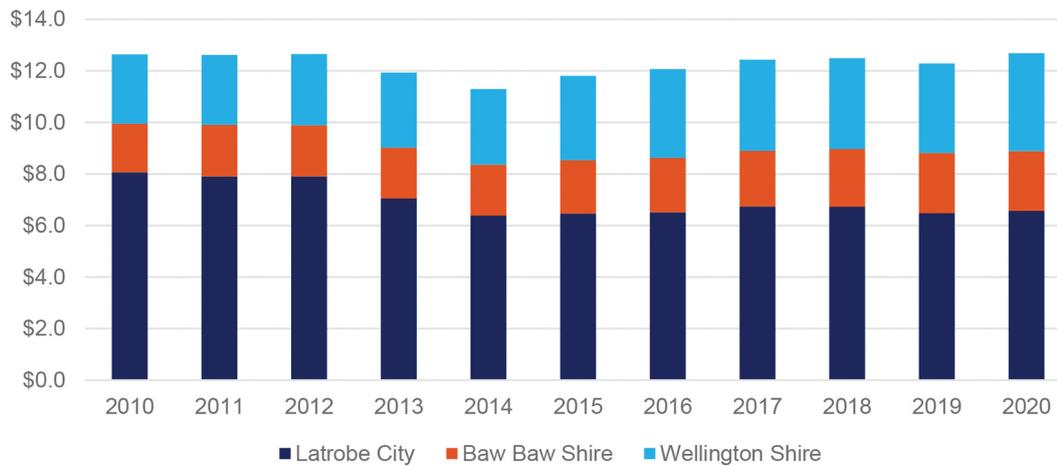
<sup>67</sup> Commonwealth Government, National Skills Commission, *Small Area Labour Markets*, SALM Smoothed SA2 Datafiles December Quarter 2021.

GRP within the Latrobe Valley region. This LGA accounted for over half (51.7 per cent) of GRP within the Latrobe Valley region in 2020.<sup>68</sup>

The situation becomes more complex when the focus narrows to Latrobe City, the LGA where the power stations are located. Latrobe City’s Gross Regional Product reduced by 19% between 2010 and 2020, although between 2016 and 2020 it remained relatively static, showing an overall small increase.<sup>69</sup>

Figure 3.2 gives an overview of this information.

**Figure 3.2** The Gross Regional Product of the local government areas of the Latrobe Valley (\$ billions), 2010 to 2020



Source: Department of Jobs, Precincts and Regions, *Submission 62*, p. 13.

The Committee also noted KPMG’s observation that between 2016 and 2019 the whole of Victoria saw significant growth but that the growth in the Latrobe Valley was not as high as the rest of the State.<sup>70</sup>

Unemployment is discussed in more detail in Chapter 5.

Here the Committee notes that while overall growth is welcomed as a positive economic indicator, it does not tell the whole story of the challenges that transition poses to individuals and businesses in the Latrobe Valley and the ongoing support that is needed.

**FINDING 3:** The closure of Hazelwood, and broader current and projected changes to reliance on brown coal, has affected the Latrobe Valley in a range of different ways that have contributed to economic and social uncertainty.

<sup>68</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 13.

<sup>69</sup> Ibid.

<sup>70</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 33.



# 4 The upcoming closure of the Yallourn mine and power station

## 4.1 Introduction

This Chapter looks at the upcoming closure of the Yallourn mine and power station, the oldest power station in the Latrobe Valley. It discusses the announcement of Yallourn's closure and measures already being taken by stakeholders to support the region. The Chapter then looks at the lessons learnt from the transition initiatives deployed in response to the closure of Hazelwood. It discusses how these can be used to inform improved, effective programs to assist the region in the lead up to the closure of Yallourn and beyond.

## 4.2 The announcement of the closure of the Yallourn power station

The Yallourn power station is the oldest power station in the Latrobe Valley. It was built as a temporary power station in 1921, followed by a permanent structure in 1924. The current Yallourn power station—as stands today—was built in 1974. It supplies approximately 20% of Victoria's energy.<sup>1</sup>

In March 2021, the operator of the Yallourn mine and power station, EnergyAustralia, announced that it would close in 2028, four years earlier than planned. The seven-year notice period provides Yallourn workers and the Latrobe Valley community a longer period to prepare for the closure than the five months' notice provided at Hazelwood (see Chapter 3).

The submission from Department of Jobs, Precincts and Regions (DJPR) said that the Victorian Government had secured an undertaking from EnergyAustralia that the power station would stay operational until mid-2028. This would avoid negative impacts to both the community and Victoria's energy supply that would arise with an earlier closure.<sup>2</sup>

Steve Dodd, Secretary of the Gippsland Trades and Labour Council, complimented EnergyAustralia for providing workers and the Latrobe Valley sufficient time to prepare for the transition:

In regard to EnergyAustralia, my view is that EnergyAustralia has really done the right thing by the community by giving us that lead time of 2028 that allows us to plan and

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<sup>1</sup> EnergyAustralia, *Submission 25*, p. 1.

<sup>2</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 7.

try and see where we can train up people and obviously look at new industries that we should be trying to develop in this region.<sup>3</sup>

EnergyAustralia said that the closure of Yallourn is part of its transition to cleaner energy, in support of its goal to be carbon neutral by 2050. EnergyAustralia noted in its submission that the closure of Yallourn will reduce the company's direct carbon emissions by 60%.<sup>4</sup>

### 4.3 Measures to assist Yallourn workers and the Latrobe Valley community

EnergyAustralia told the Committee that the Yallourn mine and power station employs up to 1000 workers. This includes 500 permanent workers and 500 temporary workers for three to four months of most years when major unit outages are required.<sup>5</sup> It said the 'health, safety and wellbeing' of their employees is its priority and has committed to supporting workers, and the wider Latrobe Valley community, through Yallourn's transition to closure. EnergyAustralia has announced:

- a \$10 million package to support workers
- the construction of the Wooreen Energy Storage System ('Wooreen'), a 350 megawatt utility scale battery at the site of the power station, which is scheduled to be operating by the end of 2026.

EnergyAustralia's \$10 million worker support package is designed to help workers with retraining and upskilling, career and redeployment planning, and financial counselling.<sup>6</sup> Workers will decide how the money will be spent, with EnergyAustralia consulting workers about 'how to best deliver transition support services'.<sup>7</sup> These consultations have so far found that:

- People wish to remain in the Latrobe Valley, so it is important to assist industry in the region to grow and provide employment opportunities.
- There is a need to support people indirectly affected by the closure of Yallourn—the work of the LVA has and will continue to be important in providing this support.
- Yallourn workers should be prioritised for work in the rehabilitation of the Yallourn mine and in the construction of the Wooreen battery.<sup>8</sup>

3 Steve Dodd, Secretary, Gippsland Trades and Labour Council, public hearing, Traralgon, 2 March 2016, *Transcript of evidence*, p. 15.

4 EnergyAustralia, *Submission 25*, p. 1.

5 *Ibid.*, p. 2.

6 EnergyAustralia, *Supporting the workforce and community* factsheet, March 2021, p. 1.

7 EnergyAustralia, *Submission 25*, p. 2.

8 *Ibid.*, p. 3.

Liz Westcott, Chief Operating Officer at EnergyAustralia, said the company is already developing a tailored workforce transition support program:

We have appointed our workforce transition partner, Directioneering, to understand the Yallourn workforce's needs and develop a transitional support program that will help guide and assist our people to plan for their future. For each of our people it will be different. Some will want to retire. Some want to have new careers. Some want to start small businesses. So our aim is to help guide our people through this decision-making process and equip them with tools they need for their success ... We really welcome the opportunity to work with the LVA and other Victorian government agencies on this.<sup>9</sup>

Lisa Gooding, EnergyAustralia's Yallourn Transition Leader, said that the company is consulting workers to understand and support their future plans:

So this year we will kick off a series of workshops and one-on-one engagements, and really the purpose there is to hear from each individual about what their intention is for the future. We know we have an aged workforce at Yallourn, so we anticipate perhaps about half may seek to retire at the time of closure, but what are the ambitions of the others going forward? Do they want to stay in the power sector? Do they want to stay in Gippsland? Are they prepared to move further afield? At EnergyAustralia we would like to retain the talent that exists within Yallourn for our other assets. So there are lots of opportunities there, and it is really about teasing that out of our workforce in the period ahead so that we can put the support and guidance in place to help them do that.<sup>10</sup>

Russell Northe MP, Member for Morwell, suggested that consultation such as this will assist in a successful transition:

It is imperative to understand for example, who will retire; who will have an alternative job but needs to be retrained; who won't have a job and how will they be supported; what markets have businesses lost and can they be replaced? These and other questions are vital so a plan can be initiated and ultimately implemented. For greatest effect in the provision of a successful transition, I firmly believe an assessment on an individual-by-individual basis needs to be undertaken in developing a plan.<sup>11</sup>

EnergyAustralia submitted it is open to collaborating with local employers, unions and the Victorian Government on a new worker transition scheme to facilitate worker redeployment in industries beyond power and electricity that require skilled workers.<sup>12</sup>

Ms Westcott said that the Wooreen battery will create around 80 jobs during its construction 'and we are committed to employing local people to help deliver the project'.<sup>13</sup> Wooreen will be able to power up to 230,000 households for up to four hours before recharge. EnergyAustralia is seeking expressions of interest to engineer and build the battery, stating that its preferred contractor 'will help to maximise local

<sup>9</sup> Liz Westcott, Chief Operating Officer, EnergyAustralia, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 2.

<sup>10</sup> Lisa Gooding, Yallourn Transition Leader, EnergyAustralia, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 6.

<sup>11</sup> Russell Northe MP, *Submission 63*, p. 9.

<sup>12</sup> EnergyAustralia, *Submission 25*, p. 3.

<sup>13</sup> Liz Westcott, *Transcript of evidence*, pp. 1-2.

participation within the Latrobe Valley and broader Gippsland region by drawing on the expertise of neighbouring suppliers and construction personnel'.<sup>14</sup> The company said Wooreen was 'part of our commitment to reinvest in the region'.<sup>15</sup>

## 4.4 The possible impact of the upcoming closure

The Committee heard concerns that the closure of the Yallourn power station and mine may cause more harm to the Latrobe Valley than the closure of Hazelwood. For example, Australian Carbon Innovation said:

In many respects the closure of the Yallourn power station may have a greater economic and social impact than the closure of Hazelwood even though the direct job loss will be lower than for Hazelwood. The operation and maintenance ecosystem of the Latrobe Valle relies on scale and volume of work to retain the critical mass of the service industry. The loss of Hazelwood caused a shock in this sector but has not so far led to a large-scale loss of service providers. The closure of Yallourn may see this large-scale loss as the volume of work in the engineering and maintenance sectors declines markedly. This is likely to lead to a 'fly in, fly out' business model; probably serviced from Melbourne, that would have a major impact locally as whole families would be forced to relocate or accept jobs in sectors at a lower average wage rate.<sup>16</sup>

David Langmore, Vice-President, Great Latrobe Park Group, said that without proper government support the closure of Yallourn may exacerbate issues experienced with Hazelwood:

The closure of Hazelwood power station obviously was a major event and had a significant impact in the Latrobe Valley. The proposed closure of Yallourn is going to compound the issues that have occurred with Hazelwood. Fortunately, there is a period to prepare for that. But our view is that in order to avoid a negative cycle of economic impact on the Latrobe Valley, government initiatives are going to be absolutely essential.<sup>17</sup>

However, other stakeholders noted that the seven-year advance notice period and known closure date for Yallourn allows time to plan an energy transition.<sup>18</sup> DJPR submitted that the lead-in time allows for planning and proactive work to mitigate the impact of the closure:

Forecasting economic impact from an event such as a major industry closure is normally undertaken on the basis of no intervention(s) to offset this event. International and local research into energy transitions concludes that positive long-term economic, social and environmental outcomes are more likely when these transitions are proactive and well planned. It can be expected that with pre-planning made possible by a seven-year lead

<sup>14</sup> EnergyAustralia, *Submission 25*, p. 4.

<sup>15</sup> Ibid.

<sup>16</sup> Australian Carbon Innovation, *Submission 17*, p. 4.

<sup>17</sup> David Langmore, Vice President, Great Latrobe Park Group Inc, public hearing, Traralgon, 24 November 2022, *Transcript of evidence*, p. 23.

<sup>18</sup> Steve Dodd, *Transcript of evidence*, p. 15; Department of Jobs, *Submission 62*, p. 15.

time and known closure date for Yallourn, economic impacts can be mitigated. This will require a well-planned and targeted response including worker and supply chain support and continued long-term economic diversification across the region.<sup>19</sup>

As is outlined in Section 4.5, many submissions stated that the importance of proactive planning was the biggest lesson learnt from the closure of Hazelwood.

## 4.5 Lessons from the closure of Hazelwood

The Hazelwood closure has provided important lessons in navigating future mine and power station closures, in particular regarding the importance of advanced planning. The following section discusses the economic challenges posed by the upcoming closure of Yallourn mine and power station around employment and business capability.

### 4.5.1 Worker support and transition initiatives

The Committee heard that worker support and transition services—particularly the LVA's Worker Transition Service—were largely successful in the aftermath of the closure of Hazelwood<sup>20</sup> and that key learnings will improve future transition responses. This section discusses worker support initiatives that could be incorporated in a future worker transition service to respond to Yallourn's closure.

The submission from DJPR said its experience with Hazelwood will inform worker transition support when Yallourn closes:

The experience of government in the Latrobe Valley and managing regional development more broadly across the state provides a significant foundation for continuing transition in the region. Government investment will continue to support growth and diversification of the Latrobe Valley economy. Future programs, built on the experience of the LVA's [Worker Transition Service], are critical to ensuring the Yallourn workforce can transition to alternative employment opportunities.

...

Worker transition responses will be adapted for the Yallourn closure given the significant notice period. This will enable a coordinated and proactive approach to worker transition through a partnership with EnergyAustralia along with key service providers, the WTS, Skills and Jobs Centre and unions.<sup>21</sup>

The LVA's CEO, Chris Buckingham, said that workforce transition support post-Hazelwood, including the way it assisted casual workers and contractors, will inform how Yallourn workers are supported. He told the Committee:

Part of the conversation that we have had with EnergyAustralia is about how we make sure that people do not fall through the cracks ... so that anybody in the region who

<sup>19</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 15.

<sup>20</sup> Environmental Justice Australia, *Submission 32*, p. 10.

<sup>21</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 15.

needs or feels the need for that service can access it and that it is an accessible service in its own right.<sup>22</sup>

According to EnergyAustralia, Yallourn workers have echoed the need for transition services to support people indirectly affected by the closure. It said that feedback has identified the need to provide services:

for those people who may be affected by Yallourn's closure but do not have a direct employment relationship with EnergyAustralia. The support provided by LVA following the closure of the Hazelwood Power Station and the Carter Holt Harvey sawmill in Morwell, is one model that could be pursued for this cohort and we would support ongoing government funding to deliver these services.<sup>23</sup>

Planned projects, such as the Wooreen Energy Storage System and the rehabilitation of the Yallourn mine, may provide workforce transition opportunities. EnergyAustralia said its stakeholders have called for Yallourn workers to be prioritised for jobs. Its submission to this Inquiry said:

Approval of a final rehabilitation plan well ahead of Yallourn's closure will help ensure workers can transition immediately to work on Yallourn's rehabilitation without any gap in employment. Securing this approval will be a priority for EnergyAustralia over coming years and we eagerly anticipate the finalisation of the regulatory framework for rehabilitation that will make this possible.<sup>24</sup>

However, the Committee heard that one challenge is that there may be less rehabilitation work to be done at Yallourn compared to Hazelwood. Barry Dungey, an energy industry consultant in the Latrobe Valley, said:

There was a lot more rehabilitation required, particularly in the mine at Hazelwood, than what Yallourn will need. Yallourn has been doing progressively more rehabilitation than Hazelwood had, so Hazelwood had a backlog of work there.<sup>25</sup>

Further, these roles may be short-term jobs, which is a concern for effective workforce transition. This was a problem experienced by some redeployed Hazelwood workers, as discussed in Chapter 3.

Work has already started in identifying companies and transition opportunities for the Yallourn workforce. Ms Gooding from EnergyAustralia said:

We are in active dialogue with members of the local community from Committee for Gippsland, which has many member businesses, as well as in conversations with other generators in the region, seeking to develop those links so that we can create those pathways for our workforce going forward to be able to transition into. I think, as I mentioned earlier, we have got the time now in the lead time until Yallourn closes to

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22 Chris Buckingham, Chief Executive Officer, Latrobe Valley Authority, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 10.

23 EnergyAustralia, *Submission 25*, p. 3.

24 Ibid.

25 Barry Dungey, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 53.

start thinking about what else is needed. Is there other investment that is required to help bolster some of the local businesses so they can take on an extra person at the time of Yallourn? I think starting to plan and prepare for that now could be an important and helpful pathway so that people from Yallourn can have a seamless transition into a new career path.<sup>26</sup>

Mr Buckingham expanded on how the LVA and DJPR are working with EnergyAustralia to put the transition into motion:

In consultation with EnergyAustralia the LVA and DJPR are working with EnergyAustralia to commence mapping and planning an early intervention for the workforce on site, a supply chain transition using insights from the worker transition service partnership in place prior, and we are also working with Jobs Victoria in planning and design.<sup>30</sup>

Ms Gooding added that workers want to know what jobs will be available before deciding on what training they will do.<sup>27</sup> She added that courses at TAFEs and universities need to be ‘scaled up, ready to go’, explaining:

We are doing a process at Yallourn to understand: what are the skills of our workforce and what are the courses that might be needed in the future so that we can create that hopefully seamless transition so that everything that is needed is where it is needed at the right time.<sup>28</sup>

Ms Gooding said that this process has been guided by lessons learned from the economic transition in Geelong following the closure of the automotive sector:

Well, I think as we have embarked on this process ourselves we have looked very much to the automotive sector and some of the learnings there. I think that is part of why we have gone down the pathway to looking at providing advanced training for the workforce, and timing is critical. That was one of the things we learned. When people have time to adjust it makes the world of difference because they are able to plan for their future and prepare for it. So I think when you look at Geelong, it seems to have recovered quite well from some of the automotive and other sectors that have closed in that region. I think there are perhaps lessons learned for the Latrobe Valley region about what they did there to attract that investment to grow going forward that hopefully we in this community can also learn from.<sup>29</sup>

The Committee notes that Victoria has also previously supported tobacco growers in transitioning away from that crop. In 1994, around one-third of Australia’s tobacco was grown in Victoria’s north-east. Following the announcement of restructuring grants from the Victorian Government, growers voted for a Commonwealth Government and industry-funded buyout of the industry.<sup>30</sup>

<sup>26</sup> Lisa Gooding, *Transcript of evidence*, p. 7.

<sup>27</sup> *Ibid.*, p. 4.

<sup>28</sup> *Ibid.*, p. 6.

<sup>29</sup> *Ibid.*, p. 9.

<sup>30</sup> *Tobacco in Australia: Facts & Issues: 10.1 The tobacco growing industry*, <<https://www.tobaccoaustralia.org.au/chapter-10-tobacco-industry/10-1-the-tobacco-growing-industry>> accessed 20 April 2022.

The Committee believes that engaging with workers to understand their future plans will assist the Victorian Government and regional coordinating bodies to appropriately plan worker transition supports. Identifying and mapping workers will help to inform the types of assistance required. For example, workers indicating that they will retire will not need the same transition or reskilling and training support as a mid-career employee or apprentice. This will contribute to capability planning for Yallourn worker transition initiatives.

The Committee also believes that understanding what did—and did not—work well with the Hazelwood Worker Transition Service will further inform future initiatives. An opportunity now exists for a comprehensive review of the outcomes of the Service.

**RECOMMENDATION 1:** That the Victorian Government continue to work with EnergyAustralia—including via the Latrobe Valley Authority—to undertake consultations with impacted workers, businesses and communities to determine the impact of the closure of the Yallourn mine and power station. Future Victorian and Commonwealth Government support for affected workers, businesses, and communities should be tailored to meet current and future needs, including as they relate to long-term transition and development.

**RATIONALE:** The Latrobe Valley Authority and Department of Jobs, Precincts and Regions have begun engaging with EnergyAustralia to understand the future plans of Yallourn workers. Victorian and Commonwealth Government support will assist in the development of effective worker transition services in the lead up to Yallourn’s closure.

**RECOMMENDATION 2:** That the Latrobe Valley Authority, in partnership with other agencies and Departments within the Victorian Government (including but not necessarily limited to Regional Development Victoria and the Department of Jobs, Precincts and Regions), consolidate an analysis of the outcomes of the Worker Transition Service, and the ways in which this work can apply to future worker transition supports. This analysis should include the extent to which affected workers’ needs and priorities have been, or are able to be, met.

**RATIONALE:** An analysis of the employment outcomes of Hazelwood’s Worker Transition Service will further help Victorian Government agencies determine how to ensure future worker transition services can provide suitable opportunities for transitioning workers.

#### 4.5.2 A worker transfer scheme

Hazelwood’s Worker Transfer Scheme facilitated the redeployment of skilled Hazelwood workers to other Latrobe Valley power stations. An analysis of the Scheme is provided in Chapter 3.

The Committee heard that it will be extremely difficult to replicate Hazelwood's Worker Transfer Scheme for the upcoming closure of Yallourn. This is because Loy Yang A and B are the only remaining coal-fired power stations in the Latrobe Valley that would be available for workers to transfer to.<sup>31</sup> Loy Yang A is slated for closure between 2040–2045<sup>32</sup> and Loy Yang B is scheduled to close in 2047. An early closure of Loy Yang B has not been announced, but the Committee notes comments from its owner Alinta Energy's CEO that he 'wouldn't be surprised' if it shut in the early 2030s.<sup>33</sup> This matches forecasts from the Australian Energy Market Operator, which predicts that brown coal generators could close by 2032.<sup>34</sup>

Mr Buckingham agreed that a similar worker transfer scheme would be difficult, suggesting that focusing on transition to other industries is a better long-term approach for supporting workers. He said:

it is going to require us to think probably more deeply about, once again, what we are heading towards as much as what we are dealing with right in front of us—taking that longer term view around transition, knowing that we have oil and gas, forestry and brown coal all going through fairly significant changes over the next 10 years.<sup>35</sup>

EnergyAustralia expressed an interest in collaborating on a program not necessarily confined to the power sector. Its submission to this Inquiry said:

EnergyAustralia is open to exploring opportunities to work with other large employers in the region, unions and government to deliver a Latrobe Valley Worker Transfer Partnership Scheme. This could be one that stretches beyond the power sector to other industries in the region that require a similarly skilled workforce.<sup>36</sup>

The Committee agrees that duplicating the Worker Transfer Scheme rolled out in response to the closure of Hazelwood would be more challenging when Yallourn closes. The creation of job opportunities in industries other than coal-fired power would be more advantageous in providing long-term jobs for transitioning Yallourn workers. Growth industries in the Latrobe Valley and Gippsland region are discussed in Chapter 6.

**FINDING 4:** Ongoing changes to the market for brown coal power generation have been shaped by a range of global, national and local economic, social and environmental factors. These impacts are widely anticipated to continue, particularly as other energy sources become more affordable and attractive to consumers across the energy market. For these reasons, a future Worker Transfer Scheme such as that which was developed in response to the closure of Hazelwood will have a lesser impact upon affected workers in the industry.

<sup>31</sup> Source: Tony Cantwell, Committee for Gippsland, *Transcript of Evidence*, 2 March 2022 p.41; Advance Morwell, *Submission 18*, p.2.

<sup>32</sup> Christo van Niekerk, General Manager, AGL Loy Yang, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 22.

<sup>33</sup> Renew Economy, *Energy Insiders Podcast: Alinta's big Pilbara and offshore wind plays*, 2021, <<https://reneweconomy.com.au/energy-insiders-podcast-alintas-big-pilbara-and-offshore-wind-plays>> accessed 20 April 2022.

<sup>34</sup> Australian Energy Market Operator, *Draft 2022 Integrated System Plan*, 2021, p. 9.

<sup>35</sup> Chris Buckingham, *Transcript of evidence*, p. 11.

<sup>36</sup> EnergyAustralia, *Submission 25*, p. 3.

### 4.5.3 Identifying and supporting supply chain and associated businesses

The Committee heard some evidence that supply chain businesses—those that supply, produce or distribute products and services to the power stations—were not sufficiently supported when Hazelwood closed and should be targeted for support in the lead up to the closure of Yallourn.

Peter Montgomery is the Managing Director of Hydraulic and Pneumatic Pty Ltd, a Morwell business supplying hydraulic and engineering services to the mining, oil and gas sector. He said that his supply chain business was heavily impacted by the closure of Hazelwood, telling the Committee:

Effectively it translated into a loss of 23 per cent of our then current turnover and in direct deliveries to the Hazelwood mine, Hazelwood power and other second-tier customers that we supported here. The closure was executed without any actionable transition plan and without any tangible support in place or offered at either state or federal level. There was no new industry either established or in development regionally presenting any new immediate opportunity for transitional consideration. Considering the State Government was aware from 2010 of the pending closure that was approaching, it does in my view reflect poorly that no actionable plan for support for reliant business was held or apparently under consideration. It was evident with the closure that the Government held no understanding of the impact this carried for the individual trading viability of those affected or what the real costs would be with recovery here—if indeed this would be possible.<sup>37</sup>

Mr Montgomery stated that supply chain businesses should be financially supported to offer new opportunities for affected workers:

My observation, what I want to identify, is that before any existing industry or manufacturer is shut down a new industry and manufacturer actually needs to be in place or in advanced development for any transition of skills and resources to actually occur. For impacted businesses that is where opportunity exists. To achieve transition substantial new capital investment is required as well as employee wage support and relief during the identified period of transition along with business cost relief for the same. These can consist of payroll tax, stamp duty, rates concessions, power rebates, cash grants, apprentice cost reimbursement and reskilling and training costs, to name some. Additional access to low- or zero-cost loans for capital investment is also required, joint government cooperation perhaps and providing GST relief.<sup>38</sup>

Latrobe City Council quantified Yallourn's contribution to the local economy, including the role it plays in the regional supply chain:

Each Yallourn worker is estimated to generate an additional four to five jobs in the Latrobe Valley. In addition, at any given time, Yallourn has at least 15 apprentices

<sup>37</sup> Peter Montgomery, Managing Director, Hydraulic and Pneumatic Pty Ltd, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 1.

<sup>38</sup> *Ibid.*, p. 2.

on site. The Yallourn Power Station and associated Mine contracts with over 240 small businesses ...<sup>39</sup>

The potential vulnerability of supply chain businesses has been identified by DJPR, who are working with EnergyAustralia to map Yallourn’s supply chain businesses and plan for their transition.<sup>40</sup>

EnergyAustralia echoed this, submitting to the Inquiry that it is prioritising a review of the supply chain to enable transition planning:

Further, we are committed to working collaboratively with our alliance partners, contractors and the Victorian government to identify where further supports may be required and how they can be delivered most appropriately. A priority action in this area involves the review of our supply chain in the region. This will enable early identification of potential impacts on businesses within our supply chain and provide the lead time necessary for those businesses, government and other stakeholders to plan for the transition.<sup>41</sup>

The Committee accepts that supply chain businesses will be affected by the planned closure of the Yallourn mine and power station. This may be a direct impact—due to supply and services contracts and the direct loss of work—or indirect—due to the contribution of Yallourn to the local economy. The Committee believes that supply chain businesses should be identified and supported through transition planning in advance of Yallourn’s closure to help mitigate its effects.

**RECOMMENDATION 3:** That the Victorian Government continue to work with EnergyAustralia to:

- identify businesses across the supply chain in advance of Yallourn’s closure
- provide support to help these businesses adapt to the closure and, where possible, employ new workers.

**RATIONALE:** Businesses across the supply chain will be adversely impacted by Yallourn’s closure without transition planning and support. Appropriate government support can help businesses transition to a changing economy and create new employment opportunities.

#### 4.5.4 Capability building

A further lesson from the closure of Hazelwood is the need to focus on capability building. This entails supporting existing businesses and attracting new businesses that will create jobs, as well as ensuring appropriately trained workers are available.

<sup>39</sup> Latrobe City Council, *Submission 5*, p. 6.

<sup>40</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 15.

<sup>41</sup> EnergyAustralia, *Submission 25*, p. 3.

EnergyAustralia said that funding similar to the Latrobe Valley Support Package (see Chapter 3) could help build businesses to expand and create job opportunities for transitioning workers:

When the Hazelwood power station closed, the Victorian government announced \$266 million in funding to establish an economic growth zone in the region and provide direct support to Hazelwood's workforce. It is a credit to the Victorian government and the LVA that this support helped limit increases in unemployment in the region following Hazelwood's closure. The rehabilitation works at Hazelwood too would have contributed to dampening regional employment impacts. Learning from this experience, funding directed to growing existing businesses and attracting new industries to the region ahead of Yallourn's closure could assist in a smooth transition for the local economy. Providing such funding ahead of Yallourn's closure would give businesses time to scale up or make investments decisions that create future employment opportunities not only for Yallourn's workforce but for the broader community.<sup>42</sup>

Australian Carbon Innovation submitted that capability building should be prioritised above community projects. This is because industry development takes time to become economically viable:

To effectively develop new industry sectors takes time and as mentioned the best time to invest was four years ago. However, the longer the delay to invest in productive areas of the economy where the region has a natural advantage, the less likely it becomes that a smooth transition to a post power economy is going to be achievable. Investment in community infrastructure is an important element but will be wasted if productive sectors of the economy are ignored as the return to the community that high paying, plentiful jobs provide makes the maintenance of these assets impossible.<sup>43</sup>

Ms Westcott from EnergyAustralia agreed that capability building requires time, adding that business growth depends on an appropriately skilled workforce. To this end, EnergyAustralia has developed a partnership between Star of the South, Federation University and TAFE Gippsland to map potential employment pathways from Yallourn to the offshore wind industry.<sup>44</sup>

Sarah Rhodes-Ward, Regional Director, Regional Development Victoria Gippsland, spoke of the importance of identifying future job opportunities and ensuring training programs provide the appropriate skills. She said:

Really one of the pieces of work that we have been collaborating on is the skills plan for Gippsland. I think we have seen great success in actually looking at the data and identifying what the opportunities are into the future, working with TAFE Gippsland and Federation University. We have certainly looked at the coming online of a number of

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42 Ibid., pp. 2-3.

43 Australian Carbon Innovation, *Submission 17*, p. 4.

44 Liz Westcott, *Transcript of evidence*, p. 2.

health school programs in the last few years. Those programs have now been fully subscribed to. They have proven to be enormously successful and will be creating some pathways into the future. I am going to stop there.<sup>45</sup>

The Committee heard that new jobs must be ready when Yallourn closes and that workers—possibly Yallourn employees—should be trained and ready to fill these roles.

Ms Westcott said:

For our workers we need industries and we need new opportunities with sustainable jobs in the region before they are no longer required at Yallourn. Getting that order right is very important. If a worker finds there are no opportunities locally at the point they are no longer required at Yallourn, they will go elsewhere and those opportunities then cannot be fulfilled. I think if we can work together with the local government agencies, all levels of government and the LVA on growing the existing businesses but attracting new industries that have sustainable jobs to the region, that will be our hallmark of success. Seeing that in advance of the Yallourn closure would be the milestone that shows we are on the right path here.<sup>46</sup>

Mark Richards, Victorian District Vice President, CFMMEU Mining and Energy Division Victorian Branch, added that timing will be imperative to ensure that new industries are ready to employ ex-Yallourn workers as soon as the power station closes. He said:

When you come back to the transition of jobs and creating new jobs, you do not necessarily want to create the new jobs before the old jobs disappear or you have got a whole new group of workers taking them. You need to have these ready to kick off once the place closes. So for example, if Yallourn was to close in 2028 and you had another industry, it would be nice to have that start in 2028 plus a couple of days or weeks, not prior, otherwise you will get imports taking the jobs. I think a couple came from New South Wales for Loy Yang and Yallourn.<sup>47</sup>

The Committee accepts that capability building takes many years, requiring funding and investment to identify and support new and existing industries. The Committee agrees that it is important to prioritise this now in order to allow industry, and therefore job opportunities, to develop in time for Yallourn's closure. The timing of the availability of new jobs will be crucial to ensure that transitioning Yallourn workers have employment opportunities when the mine and power station close.

Work in this area already done by the LVA is discussed in Chapter 5.

<sup>45</sup> Sara Rhodes-Ward, Regional Director Gippsland, Regional Development Victoria, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 9.

<sup>46</sup> Liz Westcott, *Transcript of evidence*, p. 4.

<sup>47</sup> Mark Richards, Victorian District Vice President, CFMMEU Mining and Energy Division, public hearing, Traralgon, 24 November 2022, *Transcript of evidence*, p. 44.

**RECOMMENDATION 4:** That the Victorian Government—including via the Latrobe Valley Authority—continue to work with industry and training providers, including EnergyAustralia, to:

- identify and support job creation opportunities in new and existing industries that are aligned with the skills, expertise and capabilities of enterprises equipped to provide new opportunities in the lead-up to, and following the closure of, the Yallourn mine and power station.
- ensure that, as occurred through the Worker Transition Service and the Latrobe Valley Authority’s partnerships with industry and Councils, training and support opportunities are available for workers to develop the skills needed to fill new employment opportunities, including in priority industries, and for businesses to develop and implement transition plans that enable new jobs to be created.

**RATIONALE:** Capability building requires commitment from government for many years. Continued work in this area by the Victorian Government should be a combination of direct business support and workforce training.

# 5 The Latrobe Valley Authority: its role and lessons learned

## 5.1 Introduction

This Chapter focuses on the Latrobe Valley Authority (LVA) and its role and responsibilities. It analyses its approach to place-based regional transition before addressing how it works with Regional Development Victoria (RDV) Gippsland and how it measures success. The Chapter then discusses community views of the LVA, including evidence from a survey conducted by the Committee. It concludes with a discussion on how the LVA can improve community trust in its work through better promotion of its programs and making a commitment to long-term support for the Latrobe Valley and Gippsland.

## 5.2 The role and functions of the Latrobe Valley Authority

The LVA was established in November 2016 in response to the closure of the Hazelwood mine and power station. Its focus has since broadened to long-term regional transition and the gradual closure of the coal-fired energy sector in the Latrobe Valley.

This means working with individuals and businesses in the Latrobe Valley and elsewhere in Gippsland to enhance inherent economic and social strengths that will: attract outside investment to grow the economy and create jobs; and lead to a stronger, more confident community.

The LVA is taking a three-fold approach to its work:

- immediate response:
  - personalised support for workers impacted by industry closures
  - incentives for businesses to grow and employ more people
  - stimulus investments in community facilities and events.
- recovery and capability building:
  - increasing the skill base of workers and employers in growth sectors
  - building business capability and maximising local procurement
  - funding to improve sustainability of community organisations and increase participation.
- regional growth and transformation:
  - creating better systems for innovation, collaboration and shared leadership

- assisting local industry and business innovation to maximise competitive advantage
- adapting education and training to grow jobs and skills in future growth industries
- attracting investment and maximising infrastructure for increased connectivity and participation.<sup>1</sup>

Between 2016 and 2020, the LVA was responsible for around \$192 million of the \$266 million Latrobe Valley Support Package. As discussed in Chapter 3, major projects included:

- Worker Transition Service
- Worker Transfer Scheme
- The Latrobe Valley Sports and Community Initiative
- Community and Facility Fund.

Appendix B of this Report contains a full list of Latrobe Valley Support Package policy and program initiatives and outcomes from November 2016–June 2021. Appendix C shows the LVA’s organisation structure.

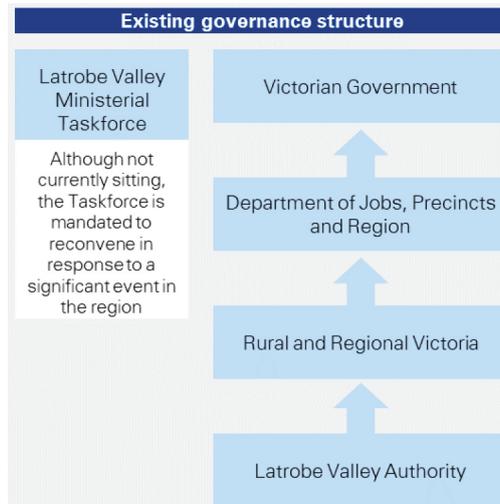
## 5.2.1 Governance of the Latrobe Valley Authority

From November 2016–January 2019, the LVA was a portfolio agency within the Department of Premier and Cabinet. It was then reallocated to the Department of Jobs, Precincts and Regions (DJPR), where it currently sits as part of the Rural and Regional Victoria business unit. The Chief Executive Officer of the LVA reports to the Deputy Secretary of Rural and Regional Victoria.<sup>2</sup> The LVA’s governance structure is shown in Figure 5.1.

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1 Latrobe Valley Authority, *About us*, 2022, <<https://lva.vic.gov.au/about>> accessed 21 April 2022.

2 Department of Jobs, Precincts and Regions, *Submission 62*, p. 60.

**Figure 5.1** Latrobe Valley Authority governance structure

Source: KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, report prepared by KPMG, report for Department of Jobs, Precincts and Regions, 2020, p. 60.

### 5.3 The Latrobe Valley Authority's approach

The LVA seeks to support the Latrobe Valley community as power stations close, as well as help the region's economy to embrace new industries for future growth. To perform these functions it brings together agencies from across government and civil society to act as a place-based, single source of support as well as a facilitator to identify the future direction of the Latrobe Valley.

DJPR describes the LVA as 'a dedicated transition authority, complementing the existing work of government in the region, including RDV [Regional Development Victoria].'<sup>3</sup>

The LVA's approach to long-term regional transition is informed by current place-based theory and is strongly influenced by European countries such as Germany and Spain. The aim is for the LVA to provide a 'facilitating or partnership role'.<sup>4</sup>

Specifically, this means building the capacity of the Latrobe Valley community and industry to take responsibility for its own future. The submission from DJPR states:

The LVA facilitates collaboration between key sector businesses and agencies to identify shared local strengths, priorities and capability development strategies, along with coordinating community access to existing government and non-government programs to maximise impact, identify gaps, and connect to current and future opportunities.<sup>5</sup>

<sup>3</sup> Ibid., p. 17.

<sup>4</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, report prepared by KPMG, report for Department of Jobs, Precincts and Regions, 2020, p. 16.

<sup>5</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 19.

Information provided to the Committee backs this approach. For example, a 2020 evaluation of the LVA by KPMG titled *Latrobe Valley Authority Lapsing Program Evaluation*, stated:

In the absence of government funded support, the marketplace (including industry and non-government organisations) would likely deliver a smaller range of programs, and in a less coordinated manner. This would likely have less impact on desired outcomes than the coordinated efforts of a single organisation, such as the LVA.<sup>6</sup>

A 2018 report prepared for the Victorian Parliamentary Library endorses governments taking responsibility to work with communities experiencing social and economic shocks as profound as the Latrobe Valley is currently facing. It states:

Opposition to government action claims that intervention prevents efficient capital allocation, which results in resources failing to deliver maximum social good. This ignores recent economic literature which suggests that government intervention can lead to more efficient outcomes, given governments' ability to pursue social aims outside commercial incentives. To achieve fair outcomes for constituents, and the efficient use of resources, governments must act to assist regions in transition.<sup>7</sup>

The report added that government assistance for regional transition should be:

- tailored (through consultation with the local community)
- proactive (ideally before the economic shock, if not then as quickly as possible)
- well-integrated (services should be coordinated and easily accessible i.e. as a 'one stop shop').<sup>8</sup>

Peter Fairbrother, in a paper titled *When politics meets economic complexity: doing things differently in the Gippsland region, Australia*, makes a distinction between 'transitional' (e.g. immediate worker support packages) and 'transformational' (e.g. identifying local strengths in order to provide long-term support for future industries).<sup>9</sup> Writing in 2017 about the Latrobe Valley, Fairbrother said:

A condition for successful transition is that some arrangement is made whereby inclusive regional decision-making takes place. This step would provide the basis for developing short and long-term strategies to address the complexity of the economy. It is imperative that policy formulation and implementation takes into account the key sunk assets that define a regional economy, the foundational economy. Hence, those who make up the Latrobe Valley region must prepare for further displacement, closure and reflective economic reorganisation. The impacts are likely to be widespread involving direct and indirect workers, suppliers, services, retailers and many across the community. It is a Gippsland concern.<sup>10</sup>

6 KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 4.

7 Manning Clifford, *Beyond the Latrobe Valley: Improving how governments assist regions in transition*, Parliament of Victoria, Melbourne, 2018, p. 11.

8 Ibid., p. 17.

9 For this Inquiry the Committee uses the term 'regional transition' for both immediate and long-term government assistance.

10 Peter Fairbrother, 'When politics meets economic complexity: doing things differently in the Gippsland region, Australia', *Australasian Journal of Regional Studies*, vol. 23, no. 3, 2017, pp. 415-416.

Fairbrother identified a need to unite disparate groups across Gippsland that ‘connect with the state agencies that make up regional governance in a range of ad hoc and uneven ways’.<sup>11</sup>

Local stakeholders in this Inquiry agreed with this need for a collaborative approach. For example, Advance Morwell called for a:

strategy to support the region’s economic transition and diversification ... developed in consultation with all key stakeholders. This includes the local industry, social and environmental groups, and most importantly the local community as ultimately it has the most to gain or lose from the closure of the region’s brown coal-fired power stations and mines.<sup>12</sup>

Fairbrother also advises that government policy should consider, not industries favoured by the government of the day, but key regional assets. Collectively these assets are referred to as the ‘foundational economy’, which are ‘those assets that define the region in the long term’.<sup>13</sup>

Both DJPR and the LVA make frequent reference to the concepts inherent in current place-based thinking. For example, the LVA states its purpose as being ‘a catalyst for place-based transition, transformation and long-term sustainable prosperity’.<sup>14</sup>

In its submission, DJPR described the Worker Transition Service as being ‘tailored and responsive case management’.<sup>15</sup> It also refers to a discussion paper from the Blueprint Institute, an Australian think tank, which states:

Policies should be proactive—planned and implemented as early as possible. They should be coordinated—involving a wide range of impacted stakeholders. They should be targeted to local communities, rather than a one-size-fits all approach. And they should be diversified— supporting both labour demand and supply, and multiplicative—drawing in private funding and kick-starting growth.<sup>16</sup>

The submission then discusses the economic foundations of the Latrobe Valley (and Gippsland more widely) in relation to programs supported by the LVA. For example, the Latrobe Valley Economic Facilitation Fund is:

a \$10 million fund focused on identifying and supporting business growth, investment attraction, market access and new job creation, consistent with priorities set out in existing local economic development plans for the region, including those identified by the Gippsland Regional Partnership.<sup>17</sup>

<sup>11</sup> Ibid., p. 410.

<sup>12</sup> Advance Morwell, *Submission 18*, p. 2.

<sup>13</sup> Peter Fairbrother, ‘When politics meets economic complexity: doing things differently in the Gippsland region, Australia’, p. 414.

<sup>14</sup> Latrobe Valley Authority, *About us*, <<https://lva.vic.gov.au/about>> accessed 28 March 2022.

<sup>15</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 9.

<sup>16</sup> Tom Barrett, Liana Downey, Josh Grice, Harry Guinness, Aurora Hawcroft, Josh Steinert, Nathan Twibill, *From the ground up: A Blueprint for economic diversification in regional Australia*, Blueprint Institute, 2021, p. 1.

<sup>17</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 11.

The Committee also notes a review of the LVA by the Payne Institute for Public Policy at the Colorado School of Mines. It identified one of the LVA's strengths as 'assessing local resources, getting them to coordinate their efforts (e.g. the 'one stop shop' for worker and family training support) and identifying gaps and how to fill them'.<sup>18</sup>

At a public hearing in Traralgon, LVA CEO Chris Buckingham said that locating the LVA in Morwell makes it well placed to help the community determine its own future. He told the Committee:

the thing that I have observed about the LVA approach is that it is by Gippslanders for Gippslanders in Gippsland [and] the importance of actually empowering business and community in place to actually be involved in decision-making and inform that decision-making. I think what the LVA is demonstrating is the ability for a government authority to help engage community in those conversations but then in turn ensure that thinking that might not have been previously exposed because of longstanding agendas within community about the way things should be are ventilated and given the opportunity for voice, if you like. We see this as a way of not only helping inspire creativity and innovation within place, within the community, and create ownership of decisions but also building the evidence base around decisions so that there is more integrity, or rather a greater likelihood that the government support for place, for regions, is actually going to have the impact as required and as needed by community.<sup>19</sup>

Sarah Rhodes-Ward, Regional Director of RDV Gippsland, added that although this is a new approach for RDV Gippsland, she is confident that the two agencies are contributing to a bright future for the Latrobe Valley. She spoke of the:

sense of optimism that we have around future transitions and the ability and the history that we now have of being able to respond in different ways, evolve, craft that response based on not only the climate at the time but also the feedback of those who are in that moment, the community stakeholders and the information that we learn as we go along.<sup>20</sup>

RDV CEO Beth Jones used comparable language at a later public hearing, stating: 'We have got every reason to be optimistic about the future of the Latrobe Valley.'<sup>21</sup>

Box 5.1 provides an overview of the approach that Germany has taken to regional transition and the coal industry.

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18 Brad Handler, *Payne/UBC Just transition podcast series: economic development organization perspective*, background paper, The Payne Institute for Public Policy, May 2021, p. 2.

19 Chris Buckingham, Chief Executive Officer, Latrobe Valley Authority, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 7.

20 Sara Rhodes-Ward, Regional Director Gippsland, Regional Development Victoria, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 8.

21 Beth Jones, Chief Executive Officer of Regional Development Victoria, Deputy Secretary of Rural and Regional Victoria, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 19.

**BOX 5.1: Germany's approach to regional transition**

The LVA's long-term, place-based approach to regional transition draws on Germany's approach to structural transition and economic development.

Germany has a long history of coal-fired electricity production and has committed to a phase out of coal after 2030. It has passed Federal laws to facilitate this. Examples include: the Kohleausstiegsgesetz, which provides a road map for coal exit and measures to facilitate a positive economic transition; and the Renewable Energy Sources Act, which facilitates a transition to renewable energy sources.

Germany's approach to structural transition has included:

- a planned phase out of coal-fired power stations
- compensatory payouts to coal power station operators
- voluntary tendering processes and emission surcharges.

Individual states are also providing local initiatives. For example, the Rhineland has a regional development agency (Zukunftsagentur Rheinisches Revier) comprising local stakeholders, municipalities and relevant trade unions. The body focuses on developing the Rhineland beyond its historical reliance on coal, commissioning studies on industry prospects and looking at options for existing transmission infrastructure.

Key lessons learnt from Germany include the importance of:

- a tailored transition informed by global approaches to regional transitions
- growing the strengths and assets of particular regions to encourage their economic diversification
- stakeholder participation to legitimise and improve transition policies.

Sources: Alexander Reitzenstein, Rebekah Popp, Pao-Yu Oei, Hanna Brauers, Nora Stognief, Claudia Kemfert, Jenny Kuran, Timon Wehnert, Structural change in coal regions as a process of economic and social-ecological transition – Lessons learnt from structural change processes in Germany, Umweltbundesamt, 2022; Amogh Ananth, *Submission 7*, pp. 5–7.

## 5.4 Putting theory into practice

The LVA's current main focus is coordinating a whole-of-government approach to transition in the Latrobe Valley, including programs and partnerships with community and industry. This is slowly evolving from direct government support (e.g. infrastructure projects) to working collaboratively to identify what jobs will exist in the future and ensuring the local workforce has the skills needed to fill those roles.

As Mr Buckingham told the Committee:

We are now facing a very different scenario compared to the one when the news of Hazelwood's closure was announced. The tone of conversations around transition in the

Latrobe Valley has changed. People are thinking more deeply about what the future may look like post brown coal fired power generation ...<sup>22</sup>

The Committee spoke with businesses and organisations to see what this approach means in practice. The quotations below are examples of the LVA's achievements in working with a variety of stakeholders.<sup>23</sup>

#### **Lisa Gooding, Yallourn Transition Leader, EnergyAustralia**

there is a lot of learning from the people there about the experience they had with the Hazelwood closure, and we have been engaging with them in regular dialogue about those learnings and how we at Yallourn can, with the benefit of time, put those things in place now so that there are the courses available at the TAFEs and the universities ahead of time—they are scaled up, ready to go. We are doing a process at Yallourn to understand: what are the skills of our workforce and what are the courses that might be needed in the future so that we can create that hopefully seamless transition so that everything that is needed is where it is needed at the right time.

#### **Christo van Niekerk, General Manager, AGL**

We have been and we are very keen to progress working closely with the LVA ... We have done some work with the LVA around also acknowledging skill sets and micro-credentials ...

#### **Professor Andrew O'Loughlin, Professor of Management, Federation University**

I am actually in the middle of a project with the LVA which is looking at participation rates ... It is research that we are conducting with the LVA. We are looking at participation rates within the region at the moment, and we are in the process of collecting information.

...

I am also on another project with the LVA which is also looking at sustainability and how we—in an ideal world, I might just add—move the entire region onto a completely sustainable footing. The LVA are starting this process themselves. We are working with them to manage that process using the [United Nations Sustainable Development Goals] as the framework. We have had quite a number of focus groups with industry, which is very keen to move in that direction as well, so I would see that expanding into the broader community as well.

<sup>22</sup> Chris Buckingham, *Transcript of evidence*, p. 2.

<sup>23</sup> Lisa Gooding, Yallourn Transition Leader, EnergyAustralia, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 6; Christo van Niekerk, General Manager, AGL Loy Yang, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, pp. 23, 27; Professor Andrew O'Loughlin, Professor, Management, Federation Business School at Federation University, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, pp. 58, 60; Federation University, *Submission 50*, p. 4; Erin Coldham, Chief Development Officer, Star of the South, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 45; Steven Piasente, Chief Executive Officer, Latrobe City Council, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 3; Lorraine Bull, Member, Latrobe Valley Sustainability Group, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, pp. 33–34; Dr Colin Long, Just Transitions Organiser, Victorian Trades Hall Council, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 4; Benjamin White, Executive Director of Stakeholder, Land and Environment, Marinus Link, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 39.

**From the Federation University submission:**

Federation University has partnered with the Latrobe Valley Authority on smaller, yet important, feasibility studies, business cases and strategic research including:

- building stronger partnerships between the health sector and local education providers, including the promotion of health careers
- improving aspiration in young people through stronger industry-education links
- labour force participation
- new energy jobs of the future.

**Erin Coldham, Chief Development Officer, Star of the South**

Some of the authorities that I have mentioned in our submission—the Latrobe Valley Authority, Regional Development Victoria, the Committee for Gippsland ... have been wonderful in facilitating connections with businesses and connections with training and education institutions such as Federation Uni and TAFE Gippsland ... we have had more than 5000 interactions on this project with stakeholders since we started looking at the development, hundreds and hundreds of meetings.

**Steven Piasente, Chief Executive Officer, Latrobe City Council**

[The LVA] provided support for small businesses in particular, which personally I think had a number of successes, particularly the business component where businesses probably had not previously thought about the need to be innovative or change how they did things. They had that reliance on the energy sector and they did not really need to think differently about their future. So I do know of a number of businesses who were supported through that process in the supply chain to think about doing things differently, and I know of a couple of businesses who are now looking at defence work and other work outside of the Latrobe Valley. So that work was good.

**Lorraine Bull, Member, Latrobe Valley Sustainability Group**

[The LVA] 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.

**Dr Colin Long, Just Transitions Organiser, Victorian Trades Hall Council**

The Latrobe Valley Authority has given some structure to that and tried to put the interests of workers at the heart of that transition in a way that we have not really seen in Australia before, so I think that was incredibly important ... That is incredibly important work, doing that retraining and reskilling, but also it has been doing some good work trying to find alternative forms of economic activity, because of course in regional transition economic diversification is incredibly important.

**Benjamin White, Executive Director of Stakeholder, Land and Environment, Marinus Link**

[The LVA] has always been very supportive, and it has also been very insightful in connecting us to groups like GROW Gippsland and have encouraged us to become a member of the Committee for Gippsland, which we are ... the conversation we have had with the Latrobe Valley Authority is our intent to establish a direct presence in Gippsland as a company and as a project, and we know that is very important from a number of perspectives ... So we know to do this properly we need to start early, and to have a successful relationship with the Gippsland community into the future we need to literally set up shop. So that is our intention, and the Latrobe Valley Authority are there and willing to support us in doing so.

**FINDING 5:** The Latrobe Valley Authority's localised approach to regional transition is aligned with Victorian Government objectives to facilitate transition and development. As the first consolidated model of program and economic support for large-scale economic transition in Australia, it aligns with international place-based approaches to equivalent challenges. It is tailored, proactive and well-integrated across the Latrobe Valley's communities, and has a significant role in the implementation of broader Victorian Government policies and programs.

## 5.5 Working with Regional Development Victoria Gippsland

The LVA is not the only government agency with a role in regional transition in the Latrobe Valley. DJPR has divisions within it responsible for regional development, including RDV, the Victorian Government's lead agency for rural and regional economic development, and its Gippsland advisory arm the Gippsland Regional Partnership.

The Gippsland Regional Partnership is one of nine regional partnerships across Victoria made up of community and business leaders, senior local and state government officers, and Regional Development Australia committee members. It provides advice on economic and social development opportunities and priorities.<sup>24</sup> The submission from DJPR gave an overview of its work:

The Gippsland Regional Partnership (RP), established in 2016, builds on RDV's approach of community centred economic development. The RP provided an avenue for members of the Latrobe Valley community, to speak directly to government and help identify priorities for the region and develop collaborative solutions in the response to the Hazelwood closure ... The Partnership provides advice on the regions priorities to be incorporated into government policies, programs and planning.<sup>25</sup>

<sup>24</sup> Regional Development Victoria, *Gippsland Regional Partnership*, 2021, <<https://www.rdv.vic.gov.au/regional-partnerships/gippsland>> accessed 2 April 2022.

<sup>25</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 11.

A large part of the Committee's evaluation of the LVA considered its partnership with RDV Gippsland. In particular, the Committee looked at: their respective roles and responsibilities; and how the two agencies avoid overlap or doubling up of their work.

KPMG reported: 'External stakeholders believe there remains a lack of clarity around some roles and responsibilities between key regional actors. Addressing this will improve stakeholder relationships.'<sup>26</sup>

The Committee notes that this was in 2020 and the LVA has done a lot of work since then to refine its role. However, evidence from this Inquiry shows that some uncertainty remains, in particular around the relationship between the LVA and RDV Gippsland. In its submission, Committee for Gippsland told the Committee: 'Feedback regarding the LVA's role within economic development at a local level has been varied with some concerned that the separation of the LVA and RDV Gippsland has caused some confusion in relation to who and how to engage with government agencies in Gippsland.'<sup>27</sup>

Similarly, Gippsland Regional Executive Forum asked in its submission 'to what degree is there overlap/duplication of effort with the LVA and the Regional Office of Regional Development Victoria (RDV)?'<sup>28</sup> while the submission from Gippsland Infrastructure also asked 'is this [the LVA's] role an adjunct to, or in conflict with other entities such as RDV, or Regional Partnerships?'<sup>29</sup>

The Committee heard that RDV Gippsland partners with government, peak bodies and individuals across the whole of society. Regarding the LVA, RDV Gippsland passes knowledge gained through these partnerships to the LVA to help the LVA's work. The LVA also provides feedback to RDV Gippsland about the success or otherwise of programs and policies related to the ongoing transition in the region.

Duplication of roles is the most obvious risk. Both Ms Rhodes-Ward and Mr Buckingham spoke of 'aligning' their work to avoid any duplication. Ms Rhodes-Ward explained:

Mr Buckingham and I discuss our work regularly. We have teams that work on opportunities together to ensure we bring the best of our approaches to the fore, and we connect our senior leadership teams at regular intervals to both exchange information, provide input into issues and opportunities as well as identify areas for collaboration.<sup>30</sup>

Ms Rhodes-Ward described the relationship between the LVA and RDV Gippsland as a 'shared purpose to build, strengthen and support regional economic growth'.<sup>31</sup>

<sup>26</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 6.

<sup>27</sup> Committee for Gippsland, *Submission 56*, p. 6.

<sup>28</sup> Gippsland Regional Executive Forum, *Submission 57*, p. 3.

<sup>29</sup> Gippsland Infrastructure, *Submission 43*, p. 11.

<sup>30</sup> Sara Rhodes-Ward, *Transcript of evidence*, p. 3.

<sup>31</sup> *Ibid.*

It is also important for the LVA and RDV not to overlap with work done by other bodies. For example, Latrobe City Council has established a 'transition taskforce' comprising stakeholders from industry, government, unions and small businesses. Steven Piasente, Latrobe City Council's CEO, told the Committee that the taskforce is designed 'to look at and stimulate a diverse economy and create jobs in place of those that will be lost'.<sup>32</sup>

The Committee notes that this is very similar to the LVA's purpose. The Committee is aware of criticism that neither RDV nor the LVA sit on Latrobe City Council's taskforce. In responding to these criticisms, Beth Jones from RDV explained that both bodies, although not sitting on every forum or group, collaborate very closely with Latrobe City, Wellington Shire and Baw Baw Shire, three Local Government Areas (LGAs) in the Latrobe Valley. Ms Jones said: 'Between RDV and the LVA I do not think a week would go past where they are not having regular conversations with the people sitting around those tables.'<sup>33</sup>

The Committee also considered the question of whether the LVA should be its own body or a team that is part of another organisation. Although the LVA sits within the remit of DJPR as a portfolio agency, it can be considered a semi-autonomous organisation.

KPMG spoke of the advantages that the 'visibility' a single authority provides and of being better placed to draw attention to the needs of the area.<sup>34</sup> It concluded:

While other players have regional roles – including RDV's focus on regional economic development – the ability to span stakeholder groups, while also having the resources to understand the Latrobe Valley's particular needs, seems to be unique to the LVA.<sup>35</sup>

This can also be read as the ability to coordinate the disparate groups identified by Fairbrother above, with KPMG finding that the LVA can have a 'leading and coordinating role in the Latrobe Valley'.<sup>36</sup>

Stakeholders in this Inquiry provided similar feedback to the Committee. When asked if the LVA should be more like other divisions in a Victorian Government department, Nicola Pero, CEO of Food and Fibre Gippsland, replied:

So if you were saying to me, 'Would that be possible?', I would say, 'Of course it's possible'. Would it give the same outcome? I am not sure it would, because I think potentially you get some independence and some rigour around looking at [economic opportunities] and then separately going after the investment and the attraction and that sort of thing.<sup>37</sup>

<sup>32</sup> Steven Piasente, *Transcript of evidence*, p. 2.

<sup>33</sup> Beth Jones, *Transcript of evidence*, p. 29.

<sup>34</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 69.

<sup>35</sup> *Ibid.*, p. 20.

<sup>36</sup> *Ibid.*, p. 4.

<sup>37</sup> Nicola Pero, Chief Executive Officer, Food and Fibre Gippsland, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 37.

The Committee agrees that it would be possible for the LVA to be totally subsumed by DJPR or RDV Gippsland and do much of the same work as it currently does. However, the Committee also sees the advantages of the LVA having its own identity and powers. Critically, this gives the Latrobe Valley community the confidence that the Victorian Government is committed to supporting transition in the region. It also provides the community and businesses with a ‘shop front’ to go to first and offers the LVA the autonomy it needs to inform investment decisions based on local needs and local strengths.

The Committee observed a relationship between the LVA and RDV Gippsland that has become more sophisticated since 2016. However, there is still some uncertainty in the community about how the relationship works. It urges both organisations to continue to refine the relationship.

**FINDING 6:** The Latrobe Valley Authority functions well as its own, distinctly branded agency of the Victorian Government within the Department of Jobs, Precincts and Regions. This gives it more visibility in the Latrobe Valley and provides the community confidence in the support provided by the Victorian Government, particularly as the majority of its workforce is based in Gippsland and live in the region.

**RECOMMENDATION 5:** That the Victorian Government publish an outline of the functions of the Latrobe Valley Authority and Regional Development Victoria respectively, including how they relate to other parts of the Victorian public sector, other levels of government and industry.

**RATIONALE:** Developing an outline of respective responsibilities would help ensure the Latrobe Valley Authority and Regional Development Victoria Gippsland avoid duplication in their work. Making the document public would also help the community better understand what each body does.

## 5.6 Measuring success

The Committee asked Mr Buckingham to specify the performance indicators the LVA uses to measure its success in meeting its purpose. He replied that the LVA looks at a combination of employment indicators and ensuring the economic prosperity of the region is shared, telling the Committee:

They sit around the level of employment within the region, the engagement of people within the workforce, our capacity to actually meet the pipeline of investments coming into the region successfully and ensuring that the prosperity that is generated by State Government and private investment is actually shared in an equitable way—or at least that the people of Gippsland have opportunity to share in that prosperity.<sup>38</sup>

<sup>38</sup> Chris Buckingham, *Transcript of evidence*, p. 4.

## 5.6.1 Employment indicators

Regarding employment, the DJPR submission states that up to November 2021 ‘the LVA has contributed to more than 4,000 jobs from investments in infrastructure and local programs.’<sup>39</sup>

The LVA informed the Committee that:

- 1,156 jobs have been created by support provided to 374 businesses through the Economic Growth Zone Reimbursement Scheme
- 1,498 unemployed people who live in the Latrobe Valley have been hired as a result of funding provided through the Back to Work Scheme
- Over 730 workers impacted by the closure of Hazelwood and Carter Holt Harvey sawmill have been supported to find employment by the Worker Transition Service
- 500 jobs across the region resulted from major infrastructure projects funded through the Latrobe Valley Sports and Community Initiative
- since November 2016 (the month Hazelwood closure was made public) there are currently (Jan 2022) there were 4,700 more persons employed in Latrobe–Gippsland (SA4).<sup>40</sup>

The DJPR submission also gave information about the unemployment rate in the Latrobe–Gippsland region, which covers the whole of Gippsland. It said: ‘The unemployment rate in Latrobe–Gippsland has fallen from 7.9 per cent at the time of the Hazelwood closure announcement (November 2016) to 5.3 per cent in September 2021.’<sup>41</sup>

The DJPR submission quoted a paper by academics at the ANU Crawford School of Public Policy titled, *Closures of coal-fired power stations in Australia: local unemployment effects*, which said that typically, the contribution of the closure of coal-fired power stations to the unemployment rate in a community is relatively small, averaging at 0.7% across Australia.<sup>42</sup>

A section of the paper not quoted by the DJPR submission noted that for Hazelwood ‘there was an uptick in the region’s twelve-month average unemployment rate from 2015, and that it exceeded the state average by more than 2 percentage points in the second half of 2016.’ It added that ‘the Latrobe–Gippsland unemployment rate has been falling since the closure of the Hazelwood power station, although it remained above the state average as of the end of 2017.’<sup>43</sup>

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<sup>39</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 19.

<sup>40</sup> Chris Buckingham, Chief Executive Officer of the Latrobe Valley Authority, Closure into the Hazelwood and Yallourn power stations hearing, response to questions on notice received 2 March 2022.

<sup>41</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 14.

<sup>42</sup> Ibid.

<sup>43</sup> Paul J Burke, Rohan Best, Frank Jotzo, *Closures of coal-fired power stations in Australia: Local unemployment effects*, working paper, no. 1809, Australian National University Crawford School of Public Policy Centre for Climate Economics & Policy, September 2018, p. 18.

The DJPR submission also noted the paper’s suggestion that the unemployment rate after the closure of Hazelwood was reduced by the support provided by the Government and the LVA. DJPR said the paper found that:

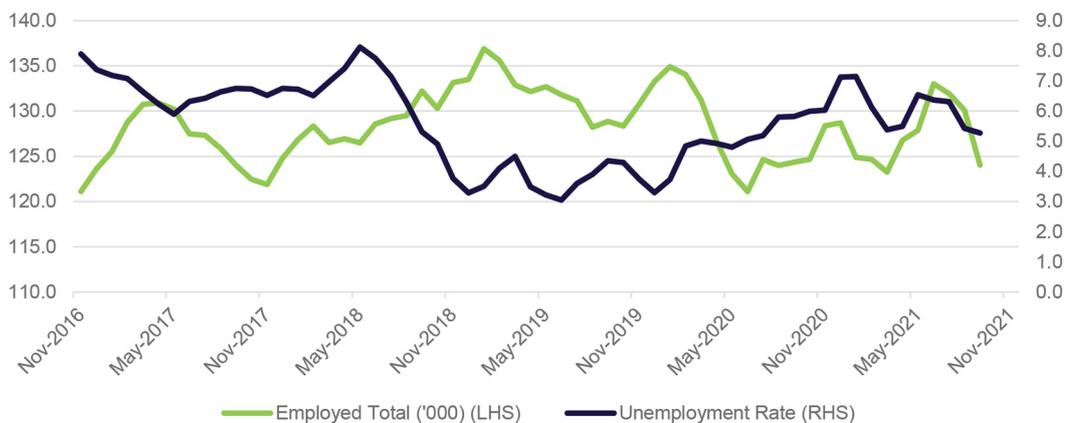
unemployment was mitigated by factors such as labour retention for decommissioning; worker transfers to other power stations; leave and separation payments stimulating the local economy; and State and Commonwealth government commitments, including the establishment of the LVA.<sup>44</sup>

This view was also shared by Quantum Support Services, which said in its submission:

This large injection into the local economy explains why the Latrobe Valley unemployment rate did not continue to rise further in the years after the Hazelwood closure. The unemployment rate in Latrobe a year following the closure in 2018 was 9.52%; and continued to decline 3 years following the closure to 5.28%. At June 2021 the unemployment rate risen to 7.96% although the rise could be explained by the effects of the coronavirus pandemic.<sup>45</sup>

Figure 5.2 below from the DJPR submission shows the unemployment rate and the total number of people employed in the Latrobe–Gippsland region between November 2016 and November 2021. It shows generally that unemployment in the region has fallen, despite a rise in the period to mid-2018.

**Figure 5.2 Latrobe–Gippsland Labour Force Data, November 2016 to November 2021**



Source: Department of Jobs, Precincts and Regions, *Submission 62*, p. 14.

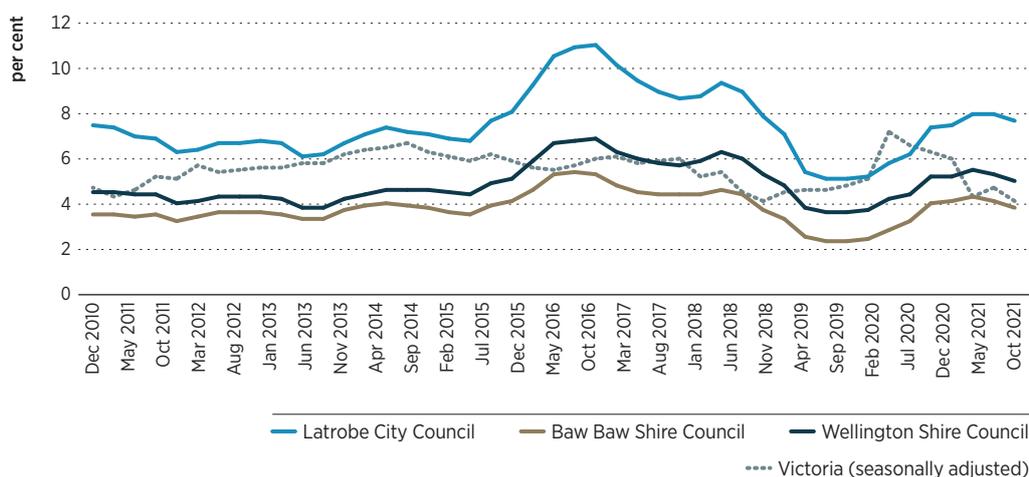
Data on the Latrobe City LGA from the Commonwealth Government’s *Small Area Labour Markets* data set shows that the unemployment rate in the council rose to a peak at around the time of the announcement of the closure of Hazelwood in November 2016. The rate was in decline by the time Hazelwood closed in March 2017, although the unemployment rate at that time was comparatively high for the region during the time period sampled.

<sup>44</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 14.

<sup>45</sup> Quantum Support Services, *Submission 39*, p. 5.

Figure 5.3 shows the unemployment rate for Latrobe City, Baw Baw Shire and Wellington Shire compared to Victoria from December 2010 to October 2021. Wellington and Baw Baw show a similar pattern to Latrobe City, which is now at its long-term average of around 8%.

**Figure 5.3 Unemployment rate for the Latrobe Valley local government areas and Victoria between December 2010 and October 2021**



Source: Commonwealth Government, National Skills Commission, Small Area Labour Markets, SALM Smoothed SA2 Datafiles December Quarter 2021; ABS, 6202.0 Labour Force, Australia, Table 5. Labour force status by Sex, Victoria – Trend, Seasonally adjusted and Original (for Victoria wide unemployment rate).

The Committee was also interested in the nature of employment that the LVA has contributed to in the region. In particular, the Committee noticed interest in the Latrobe Valley about whether future employment opportunities will be for long-term or short-term jobs.

Here the Committee notes that, although it is difficult to define these terms as they are somewhat subjective, there is a general understanding about what they mean. It also notes that there is a general understanding that a ‘job for life’ is becoming increasingly rare in modern economies. Instead, people need to be skilled to have what could be termed a ‘career for life’.

Beth Jones from DJPR explained the Department’s approach to contributing to employment in the Latrobe Valley region. She said that while not all jobs will be long-term, the LVA’s work is still contributing to the overall strength of the local economy. Ms Jones told the Committee, in a response to a Question on Notice:

The Department does not contend that all jobs created by our interventions are ongoing. The Department recognises that regional economies are a system, and that all job creation has ripple effects for the community. The creation of jobs creates flow on effects in the local economy. As persons shift from welfare to employment, personal consumption rises (as income rises and so to an individual’s marginal propensity to consume) supporting employment growth in surrounding sectors. To track the long-term outcomes of individual jobs is costly, resource intensive and may have privacy

implications. The Department instead focusses on providing the policy settings to support and facilitate strong and sustainable employment growth for the local economy and abroad.<sup>46</sup>

As an example of what economic success would look like in the food and fibre sector, Ms Pero said economic success would be achieved if the LVA:

creates the environment and provides the data packs necessary for large global and national investors to go, 'We will choose Gippsland, we will choose Latrobe Valley and we will set up our manufacturing here. You've given us all of the data for the in-feed streams, whether it is spinach or broccoli or meat or seaweed or hemp or whatever. You've given us the data from an export perspective'. So now those investors can see that whole supply chain, and go, 'Yep, that's actually stronger feasibility for me to set up my piece manufacturing and processing right here'.<sup>47</sup>

As stated, the Committee is aware that the public understands the changing nature of work in the modern economy. While the Latrobe Valley community may not expect the LVA to create 'jobs for life', the Committee believes the LVA should still publish details about the nature of the work it contributes to creating in the region (such as in Ms Jones's Question on Notice response above) rather than just a total figure. This would meet the principles of open government and help public confidence in the LVA.

**RECOMMENDATION 6:** That the Victorian Government publish information relating to job creation involving the Latrobe Valley Authority's work as it relates to business and industry in the Latrobe Valley and across the Gippsland region more broadly. This information where possible should include detail aligned with other methods of data collection in the Australian Bureau of Statistics, Commonwealth and Victorian Government modelling and reporting methodologies, including the sectors, modes and duration of employment. Information about the mode, duration, and sector of direct and indirect work in the operation of the Hazelwood and Yallourn mines and power stations should also be published to enable meaningful comparisons where relevant.

**RATIONALE:** The Latrobe Valley community should be informed as to how public money is being spent in the region. More details would also contribute to building confidence in the Latrobe Valley Authority's work and enable more accurate analysis of the ongoing transition in the region.

<sup>46</sup> Beth Jones, Chief Executive Officer of Regional Development Victoria and Deputy Secretary of Rural and Regional Victoria, Closure of the Hazelwood and Yallourn power stations hearing, response to questions on notice received 6 April 2022.

<sup>47</sup> Nicola Pero, *Transcript of evidence*, p. 37.

## 5.6.2 Social indicators: ensuring the economic prosperity of the region is shared

The sharing of economic prosperity through building community infrastructure and providing funding for local organisations improves the economic and social strength of the Latrobe Valley. The LVA, in its paper *Transitioning to a strong future November 2016 – November 2019*, discussed the importance of creating a liveable environment that fosters community pride:

jobs figures are just part of the story. For true sustainable change, we need to work on innovative projects that create long term investment and a vibrant and liveable Latrobe Valley, while ensuring everybody in our community benefits. We want to ensure that pride and confidence in our future continues to grow and that we have the best conditions to grow our people and economy.<sup>48</sup>

An example of trying to achieve social benefits through infrastructure is the Latrobe Valley Sports and Community Initiative. Seven major sporting infrastructure projects have been built as part of the Program. These are:

- Gippsland Regional Aquatic Centre
- Gippsland Regional Indoor Sports Stadium
- Latrobe City Sports and Entertainment Stadium
- Traralgon Tennis Centre
- Sale Tennis Centre
- Morwell Recreation Reserve
- Ted Summerton Reserve.

Mr Buckingham told the Committee that the new aquatic centre enhances community health and wellbeing while also demonstrating the potential of the Latrobe Valley's geothermal resources:

what stands out is it is about investment in social infrastructure that actually gives people in the Latrobe Valley the sense that the government cares, that the government is invested in their wellbeing. Clearly there are benefits from aquatic centres within community settings in terms of, once again, health and wellbeing and activation of community, but I think one of the things that really stood out to me and I think captured people's imagination was the fact that they are using geothermal water to actually heat the pool, which I think contributes, as I understand it, approximately \$370 000 per year in savings in terms of operational costs. But I think it also demonstrates that the Latrobe Valley is incredibly well placed to take advantage of geothermal as a natural resource.<sup>49</sup>

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<sup>48</sup> Latrobe Valley Authority, *Transitioning to a strong future*, Department of Jobs, Precincts and Regions, 2019, p. 1.

<sup>49</sup> Chris Buckingham, *Transcript of evidence*, p. 11.

The submission from DJPR was equally enthusiastic about the benefits associated with the aquatic centre. It noted the stimulus to the economy from building the centre and the ongoing jobs associated with staffing. In addition, the submission discussed the training opportunities associated with a partnership with Federation University, which has established an allied health training centre at the facility. The submission says:

However, GRAC is more than just a short term stimulus. By ensuring that government, community, industry and education sectors are all working together to build future economic, jobs and social opportunities, the LVA is maximising opportunities to leverage long-term outcomes through this investment.

...

GRAC is also the site of a Wellness Centre used by Federation University to deliver training programs including physiotherapy, exercise physiology, occupational therapy and speech pathology. The Wellness Centre will allow local residents to train and upskill within their own community rather than needing to travel to Melbourne or beyond, before finding a rewarding job in the local healthcare sector. The facility will be open to the general public, with services provided by qualified allied health professionals, improving access to healthcare for Gippsland locals.<sup>50</sup>

Figure 5.4, from the DJPR submission, provides an overview of how the aquatic centre works across a number of policy areas. DJPR calls this an ‘integrated actions, system approach’.<sup>51</sup>

**Figure 5.4** The benefits associated with the Gippsland Regional Aquatic centre in different policy areas



Source: DJPR, *Submission 62*, p. 20.

50 Department of Jobs, Precincts and Regions, *Submission 62*, p. 20.

51 Ibid.

However, some respondents to the Committee's survey on the LVA (see below) believed the centre was little used in relation to the costs associated with its construction. A survey respondent said:

Not 100% sure whether spending \$60m+ on a leisure centre is the answer. Don't get me wrong, I'm a member – but it's too big!! How can council pay the day-to-day costs? Apart from busy periods there's more lifeguards than people in the pool!<sup>52</sup>

Latrobe City Council considered that in building infrastructure such as the leisure centre 'an opportunity was missed to support Latrobe City's economy due to focus on liveability projects and events'.<sup>53</sup>

At a public hearing, Mr Piasente told the Committee that sporting infrastructure, including the Gippsland Regional Aquatic Centre and a basketball stadium, had 'provided an additional burden in terms of maintenance and operations' although they have 'increased employment in those sectors for those operations'.<sup>54</sup> He also stated that the basketball stadium was underutilised, telling the Committee: 'As an example, we have basketball stadiums that sit underutilised outside of normal operating hours on a weekend. Through COVID they were heavily underutilised.'<sup>55</sup>

However, Mr Piasente did agree that such projects provide benefits 'in terms of social and economic outcomes for people who participate in them'<sup>56</sup>

The Committee believes that the Gippsland Regional Aquatic Centre is a good case study of how a facility can improve social wellbeing while also creating economic opportunities, in this case for the growing health industry in the Latrobe Valley. It also notes that such projects are part of the wider package of support for the region and are not intended, on their own, to compensate for the economic output that will be lost with the closure of the coal-fired power generators. This issue is discussed in more depth in Chapter 6.

**FINDING 7:** The Latrobe Valley Authority is working effectively to achieve economic and social outcomes in the Latrobe Valley and wider Gippsland region.

## 5.7 Community views: rebuilding trust over time

Essentially, the LVA is working to improve the internal narrative in the Latrobe Valley from one of uncertainty to one that is more confident about the future. How the community views the success of the LVA's work will be integral to its chances of doing this. The biggest challenge for the LVA is the long-term distrust in the region regarding what some consider 'Melbourne-centric' governments delivering promised support.

<sup>52</sup> Response to Legislative Council Economy and Infrastructure Committee's survey.

<sup>53</sup> Latrobe City Council, *Submission 5*, p. 16.

<sup>54</sup> Steven Piasente, *Transcript of evidence*, p. 3.

<sup>55</sup> *Ibid.*, p. 10.

<sup>56</sup> *Ibid.*

The Committee heard that the privatisation of the SECV in the 1990s led to a reduction in the number of permanent jobs and apprenticeships in the Latrobe Valley. New policies left many ‘deeply cynical and suspicious’ about Government investment in the region, contributing to ‘perceptions of abandonment and mistrust’. These feelings were reignited in 2016 with the announcement of the closure of the Hazelwood mine.<sup>57</sup> Local resident Jane Sultana told the Committee: ‘It is imperative that this sense of abandonment does not repeat itself with the closure of the Latrobe Valley’s coal-fired power stations.’<sup>58</sup>

KPMG spoke of the ‘negative narratives about State Government’ that have built up in the Latrobe Valley over several decades. It said:

Until 2017, the general view was that successive state governments had either ignored the Latrobe Valley, or applied general service and development models that did not invest in lasting change for the region. Along with a historical sense of abandonment and mistrust was a desire by the Latrobe Valley community for the development of a long-term vision for the region.<sup>59</sup>

Clifford expressed a similar view when he wrote: ‘Legitimacy within local communities is key for effective government assistance to regions undergoing transition.’<sup>60</sup>

Changing entrenched views takes time. KPMG added that the work begun by the LVA needs ‘additional time for the changes to become embedded and for the community to have the capacity to drive its own growth going forward.’<sup>61</sup>

The general consensus among witnesses the Committee spoke with is that the LVA got off to a ‘slow start’, albeit this was understandable considering how quickly the agency was formed. As noted in Chapter 3, the time between the announcement of the closure of Hazelwood in November 2016 and its eventual closing date on 31 March 2017 left five months for the LVA to be announced, establish its operations and begin to consider the best way to support workers and the community.

Yallourn North resident Anthony Wasiukiewicz told the Committee: ‘there were some teething issues at the start. That is just normal.’<sup>62</sup>

<sup>57</sup> Jack Vines, *Coal Mining Heritage Study in Victoria*, Heritage Council of Victoria, Melbourne, 2008, p. 264; Hazelwood Mine Fire Inquiry, *Hazelwood Mine Fire Inquiry Report: Volume IV*, 2015/2016, p. 33; John Wiseman, Annabelle Workman, Sebastian Fastenrath, Frank Jotzo, *After the Hazelwood coal fired power station closure: Latrobe Valley regional transition policies and outcomes 2017-2020*, working paper, no. 2010, Australian National University Crawford School of Public Policy Centre for Climate and Energy Policy, November 2020, pp. 9–10.

<sup>58</sup> Jane Sultana, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 28.

<sup>59</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 15.

<sup>60</sup> Manning Clifford, *Beyond the Latrobe Valley*, p. 18.

<sup>61</sup> KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 19.

<sup>62</sup> Anthony Wasiukiewicz, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 26.

**CASE STUDY: Peter Montgomery, Managing Director, Hydraulic and Pneumatic Pty Ltd**

Mr Montgomery informed the Committee that the closure of Hazelwood resulted in a loss of 23% of turnover at the time. The company received funding from the LVA to develop a digital marketing online presence. However, the consultants and advisers Mr Montgomery was provided with did not deliver a good service. Hydraulic and Pneumatic diverted internal resources to the project, which he estimated cost the company \$80,000–90,000 in time and lost opportunities.

Mr Montgomery said: ‘In the end my view was, unfortunately for both the Government in its provision and us in taking it up, we would have both been better off if we had not have done it. It provided nothing for us apart from further distress and complication for the period.’

Mr Montgomery advised the Committee that the LVA must be aware of exactly what is involved for small businesses, especially small engineering firms, in finding new work. Lost time dealing with bureaucracy around grants, in particular if the grant process is flawed, equals lost income.

Mr Montgomery said:

you also have to consider that we rely upon establishing a pipeline for delivery of business, and in engineering quite often this pipeline is two, three, four, five years. So for what we put in today, we do not get a return next month, we do not get a return in three months or next year. It comes down. If you stop, if you have a distraction and you lose the input, the in-feed, into that pipeline, then it leaves a void, and that void falls down to a loss and that loss then impacts the business. So we have to be very careful in terms of what resources we have, both in terms of human resources and where we direct our own capital investment, to have any opportunity of return.

Mr Montgomery does not doubt that the LVA is sincere in trying to deliver services that help local businesses adapt to new economic conditions. He is, however, concerned about its remit around highly technical industry, telling the Committee:

Latrobe Valley Authority appears to have attempted within its mandated guidelines and budget restrictions to assist toward regional development and job creation [however] there does not appear to be either a mandate or capacity in directing funding toward reskilling of engineering and trade technical capability in areas of technology and real opportunity here within the Latrobe/Gippsland region.

The Committee notes that Mr Montgomery’s experience with the LVA was several years ago in 2018-19. The Committee has received evidence from the LVA and RDV that Victorian Government grants processes relevant to transition and development across the Latrobe Valley region are the subject of continuous improvement.

Source: Peter Montgomery, Managing Director, Hydraulic and Pneumatic Pty Ltd, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*; Hydraulic and Pneumatic Pty Ltd, *Submission 41*.

These ‘teething issues’ have been readily acknowledged by both the LVA and DJPR. Mr Buckingham spoke of the early days of the LVA where:

there are stories of people in the middle of the office with diggers trying to get their office fixed while they were interviewing workers coming through the front door who were in a state of a fair degree of trauma about what was happening. They were chaotic times.<sup>63</sup>

However, both agencies are of the view that the LVA is improving as it gains more experience. Using the example of how the LVA has improved its partnership with RDV Gippsland, Ms Jones said:

that does take work in terms of working through the roles and how we work together, and there is a significant amount of time spent in gathering other stakeholders and players in the region around the table to work through issues and to coordinate. And I think that is absolutely strengthened in recent times.<sup>64</sup>

An ongoing issue, though, is how much these improvements are noticed by the Latrobe Valley community. Australian Carbon Innovation told the Committee that in its experience community views vary. It said:

The success or otherwise of the LVA varies with the audience being asked. Based on community feedback at ACI seminars, some believe it to be a very effective vehicle that is able to deliver coordinated policy and program outcomes for the region. Others view it as an organisation that is focussed on delivering an ideological position, rides roughshod over local government and has an overwhelming negative attitude to the utilisation of the lignite resource in the region.<sup>65</sup>

The DJPR submission refers to community forums held in late 2019 which found that 89% of people attending were ‘A lot more’ or ‘A bit more confident in the future of the region compared to two years ago’. It added: ‘An independent evaluation undertaken by KPMG found that stakeholders strongly agreed that the LVA has improved trust in government and played a key coordination role in the process of rebuilding community trust in the region.’<sup>66</sup>

While this feedback is positive, the Committee urges caution when looking at the results of the KPMG survey. For example, the Committee notes that:

- of the 22 interviews conducted by KPMG for its report 15 were with the LVA, while the other seven were with LVA program partners and local government councils
- of the seven email questionnaires returned to KPMG, four were from Victorian Government Departments.

<sup>63</sup> Chris Buckingham, *Transcript of evidence*, p. 10.

<sup>64</sup> Beth Jones, *Transcript of evidence*, p. 23.

<sup>65</sup> Australian Carbon Innovation, *Submission 17*, p. 3.

<sup>66</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 18.

The Committee believes that the community's understanding of the LVA's role would be improved by listing performance indicators on the LVA website. It should also publish the KPMG review from 2020, which along with a survey made findings and recommendations around the effectiveness of the LVA, funding and how efficiently it is operating.

**FINDING 8:** Community trust in the work of the Latrobe Valley Authority is directly linked to social indicators such as confidence in the region's future. There is a significant level of scepticism in the Latrobe Valley, which has historical links to the privatisation of the power industry in the 1990s and support for transition at that time. As such, much of the initial work of the Latrobe Valley Authority has necessitated a focus on building and maintaining trust and confidence within local communities.

**RECOMMENDATION 7:** That the Latrobe Valley Authority list its performance indicators on its website, including continuing to define its future role in terms of funding decisions and how it will enhance economic and social strengths.

**RATIONALE:** Clarity of purpose will both make the Latrobe Valley Authority more effective and help the Latrobe Valley community better understand its role.

As mentioned in Chapter 1, as part of its research the Committee conducted an online survey aimed at residents of the Latrobe Valley. There were 141 respondents. The survey asked respondents their views on the work of the LVA. The questions asked about respondents' satisfaction with the:

- immediate support provided by the LVA in the aftermath of the closure of Hazelwood
- support provided to businesses to help them grow and build the economic capacity in the region
- work of the LVA in identifying industries to identify and support growth industries to transition the regional economy.

The results of the survey are listed below. The Committee was particularly interested to note the contrast between stakeholders in this Inquiry with direct experience of working with the LVA (generally positive) and those without direct experience (generally negative).

**COMMITTEE SURVEY: Results**

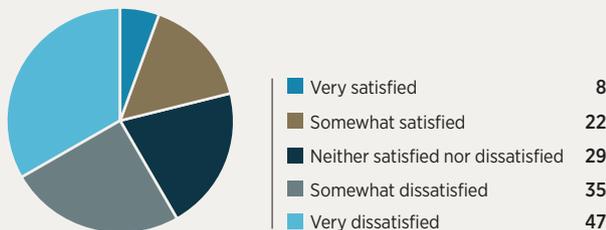
**How satisfied are you with the immediate support provided to Hazelwood employees, contractors and their families following the announcement of its closure?**

- 27% were either somewhat or very satisfied
- 28% were neither satisfied nor dissatisfied
- 45% were either somewhat or very dissatisfied.



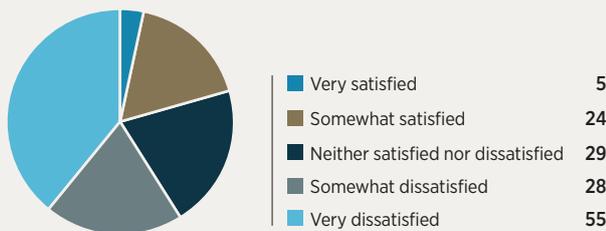
**How satisfied are you with the support the Latrobe Valley Authority has provided to local businesses to help them grow and provide more employment opportunities in the region?**

- 21% were either somewhat or very satisfied
- 21% were neither satisfied nor dissatisfied
- 58% were either somewhat or very dissatisfied.



**How satisfied are you with the work of the Latrobe Valley Authority to identify and support growth industries in the region to help transition the economy in the light of the closure of Yallourn Power Station in 2028?**

- 21% were either somewhat or very satisfied
- 21% were neither satisfied nor dissatisfied
- 58% were either somewhat or very dissatisfied.



(Continued)

### COMMITTEE SURVEY: Results (Continued)

The survey also asked respondents to provide their views on how the LVA can improve its services in areas of its operations. A selection of responses are included below.

#### **How can the Latrobe Valley Authority improve its support to local businesses to help them grow and provide more employment opportunities in the region?**

Frustration with perceived lack of success to date:

‘Lower rates, taxes, stamp duties etc. must be offered – plus massive government startup, moving and relocation bonuses to the businesses that will come to the Valley. That was the mission of the LVA – so far it has been a spectacular and total failure, in terms of creating 3,000–4,000 new, sustainable jobs for the Latrobe Valley.’

‘They came into a space that RDV was already in – with much less skill and experience and we’re too eager to sign up “jobs” without doing their due diligence.’

Do more to let businesses know what support is available:

‘Greater awareness of the support they can access through the LVA. Get people on the ground, talking to these businesses.’

‘More clearly articulate their overall objectives, including a renewed a focus on economic and employment growth in the region.’

‘You don’t really hear about them creating jobs.’

Provide more support for major industries:

‘Local businesses rely on major industry here. This area was built by farming, paper manufacturing and power production. Jobs in these industries support local businesses. It’s as simple as that.’

‘Incentivise new industrial and manufacturing businesses to establish in the LV to create spending activity within the area.’

#### **What new or existing growth industries should the Latrobe Valley Authority be supporting to help the region’s economy transition in light of the closure of Yallourn Power Station in 2028?**

Some respondents were not aware of projects to date or do not think the LVA is the right body to lead transition:

‘Doesn’t seem like they have done that to date. There is still no new industry here.’

‘I’m not sure of any they have supported which have been successful.’

‘I think it is not the role of the LVA nor outsiders to decide this. Instead LVA should be engaging in research that supports greater participation of the community. Just Transition is a global initiative. The LVA should be leading what this means locally but there may be a disconnect which means scattered projects that are no doubt helpful in their own right but perhaps do not support an overall coordinated vision.’

(Continued)

**COMMITTEE SURVEY: Results (Continued)**

**Some support for keeping coal-fired power stations open, however the majority of support was for renewables / ‘clean’ industries (manufacturing and food and fibre also received support):**

‘Sustainable industries, organic/biodiverse agriculture, responsible recycling (e.g. large scale textiles).’

‘Some form of green energy to create jobs and the space you have been using for these mines should be used for something else.’

‘Given the electricity distribution infrastructure in the Latrobe valley, the LVA should be supporting businesses that can contribute to the green economy. Local, clean power production should be heavily promoted by the LVA.’

**Do you have any additional comments on the work of the Latrobe Valley Authority?**

A mix of positive and negative views match what the Committee heard:

‘The LVA undertook some good work in regards to supporting workers through the closure of the Hazelwood Power Station. There are good examples of transitioning workers into new positions, developing their skills sets and identifying training to support their transition, this could be built upon to support the closure of Yallourn.’

‘Keep going LVA and really increase your profile.’

‘The LVA has done significant work in facilitating projects and putting in place strategies for projects that leverage the regions strengths and allow it to grow such as smart specialisation.’

‘It would be nice to see the LVA become a successful entity that does actually contribute to the creation of new jobs, industries and the improvement of the Latrobe Valley. My memories of the Latrobe Valley as a child in the eighties is how I would like to see the region again. Good jobs that were secure helped people support the local businesses in the area. This is far more desirable to having to have a government agency spending money without much gain.’

‘You can be more proactive. There’s not a lot of information out there.’

‘In my opinion, it’s just another waste of money. The government want to look like they are helping the Latrobe Valley but we will struggle to lose that dirty industry look the valley has come to have. The government has spent so much money here but what long term job security has it provided? Look at the Latrobe Valley health Initiative. That hasn’t even been legislated. It’s another example of all show no go.’

‘It has wasted huge amounts of funds spent on sporting events which don’t leave a lasting legacy or add employment opportunities. They work in isolation rather than in partnership as our region transitions to a new and possibly unknown economy.’

‘It feels like the few jobs delivered via the transition planning have all been low paying or transient. None of the major projects have delivered significant opportunity.’

‘If you want to spend on infrastructure then look at footpaths, reserves, low density housing in certain areas. Make this an area people want to live and work in.’

**(Continued)**

**COMMITTEE SURVEY: Results (Continued)**

The Committee does not believe that these comments show that the LVA is failing in its purpose and understands that responses to surveys of this type traditionally tend towards the negative. The Committee acknowledges the achievements of the LVA to date and includes these comments to inform the LVA and DJPR about the work still needed to be done in the Latrobe Valley and Gippsland community.

**FINDING 9:** The results of the Committee’s survey in conjunction with evidence from participants in this Inquiry supports a conclusion that those with direct knowledge and experience of the Latrobe Valley Authority’s remit and performance have a more positive view and understanding of the Latrobe Valley Authority’s role than those without such direct experience.

## 5.8 Other issues of concern raised by stakeholders

### 5.8.1 The LVA’s attitude to coal

Some stakeholders told the Committee that they have found the LVA to be ‘anti-coal’. At a public hearing, Gerry Morvell, Chair, Australian Carbon Innovation, said: ‘the agendas we have been bringing forward about new technologies, new ways of doing things, have not found a home inside the LVA.’<sup>67</sup>

In its submission, Gippsland Infrastructure wrote:

the LVA actively talks down opportunities associated with Victorian brown coal and conflates its utilisation of it with unsustainable environmental outcomes, which is ill-informed and inconsistent with its own Smart Specialisation Strategy. It is also clearly detrimental to prospective future economic outcomes in the Latrobe Valley associated with brown coal resources.<sup>68</sup>

The example often given of the LVA ‘talking down’ coal is previous CEO Karen Cain’s comments on brown coal’s limited future as a direct energy source (i.e. burning the coal). However, projects such as the Hydrogen Energy Supply Chain show that the Victorian Government is investing in other uses for Latrobe Valley brown coal.<sup>69</sup>

Jane Burton, DJPR’s Executive Director, Earth Resources Policy and Programs, Forestry, Resources and Climate Change, confirmed that while there are currently no specific

<sup>67</sup> Gerry Morvell, Chairman, Australian Carbon Innovation, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 35.

<sup>68</sup> Gippsland Infrastructure, *Submission 43*, p. 10.

<sup>69</sup> Kawasaki Heavy Industries, *Submission 29*, p. 3; Jeremy Stone, Non-Executive Director, J-Power, public hearing, Melbourne, 2 March 2022, *Transcript of evidence*, p. 22..

grants programs for low-emission coal use, other grants are available for alternative uses for Latrobe Valley coal.

Ms Burton said:

we would continue to encourage anybody that has a project that they think is worthy of government consideration to come, in the first instance, to either ourselves or RDV and have that conversation. We will see if there is any direction or any particular program that we could see if they meet those guidelines. Always happy to have those conversations, and we do have them on a regular basis.<sup>70</sup>

The Committee also raised this issue with Mr Buckingham, who replied that the LVA is 'not ruling anything out'.<sup>71</sup>

Future uses for brown coal in the Latrobe Valley is discussed in Chapter 6.

**FINDING 10:** Brown coal remains relevant to a range of existing and potential opportunities for economic growth and jobs in industry and enterprise across the Latrobe Valley, beyond coal-fired power generation.

## 5.8.2 Local supply chains

The Committee heard concerns that work for infrastructure projects is being completed outside the Latrobe Valley region, therefore not benefitting local businesses. Anthony Wasiukiewicz provided examples of work going either to other parts of Victoria (bus shelters) or overseas (playground equipment).<sup>72</sup>

Gippsland Infrastructure told the Committee:

On way too many occasions, large State Government contracts are awarded to companies outside of the region, and while there is some local employment participation the bulk of the investment ends up outside of the region and does not build the necessary capacity for the future.<sup>73</sup>

When the Committee asked stakeholders further questions about this issue, doubt emerged about the region's capacity or specific skill base to complete every piece of infrastructure funded by the Victorian Government. The Committee was not able to examine every case to test this but believes it would be helpful for the LVA to provide more information about which infrastructure projects can and cannot be delivered solely by businesses in the Latrobe Valley.

Support for businesses, in particular supply chain businesses, is also discussed in this Report at Sections 3.7.1 and 4.5.3.

<sup>70</sup> Jane Burton, Executive Director, Earth Resources Policy and Programs, Forestry, Resources and Climate Change, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 28.

<sup>71</sup> Chris Buckingham, *Transcript of evidence*, p. 13.

<sup>72</sup> Anthony Wasiukiewicz, *Transcript of evidence*, pp. 19–20.

<sup>73</sup> Gippsland Infrastructure, *Submission 43*, p. 11.

## 5.9 The need for more promotion

The Committee believes that the evidence included in this Chapter shows that the LVA can do more to promote its work in the Latrobe Valley. Mr Buckingham described the LVA in its first years of existence as being ‘quiet achievers’,<sup>74</sup> which goes some way to explaining the work still needed to be done.

While those working closely with the LVA are aware of its achievements, this is not replicated across the wider community. Marianne Robinson from Voices of the Valley told the Committee:

I have seen the [LVA] website. But I am not talking about whether or not I know what the Latrobe Valley Authority has been doing. I was talking there that in general people do not necessarily know what they are doing.

...

the impression that you get from what is published in the media and what is published on social media and the comments that people make is that the Latrobe Valley Authority is about promoting sport. Now, that is not all that they do, obviously, but that is the impression that you get from the media releases and the public statements that get published ... it is unfortunate, it is a very limited view of what they do, but it is some people’s reality.<sup>75</sup>

Wendy Farmer, the President of Voices of the Valley, added:

Where Marianne is coming from is the average person on the street that is not really connected to the community really does not know what the LVA does. In fact, what they know is how they have failed, because the media pick up on how they have failed ... We do look at [the LVA’s] website, but the average person does not. So we need the LVA to tell the great stories that are happening.<sup>76</sup>

Similarly, Lorraine Bull from Latrobe Valley Sustainability Group said:

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.’<sup>77</sup>

The review of the LVA by the Payne Institute for Public Policy at the Colorado School of Mines stated: ‘Although the LVA has spearheaded and funded some specific public spending projects that raised its visibility, its accomplishments are generally behind the scenes (e.g. some local businesses we were in touch with appeared largely unaware of LVA initiatives) ...’<sup>78</sup>

<sup>74</sup> Chris Buckingham, *Transcript of evidence*, p. 11.

<sup>75</sup> Marianne Robinson, Secretary, Voices of the Valley, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 15.

<sup>76</sup> Wendy Farmer, President, Voices of the Valley, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, pp. 15–16.

<sup>77</sup> Lorraine Bull, *Transcript of evidence*, pp. 36–37.

<sup>78</sup> Brad Handler, *Payne/UBC Just transition podcast series: economic development organization perspective*, p. 2.

Ms Jones told the Committee that the LVA has improved the information provided directly to the community and stakeholders, especially on its website.<sup>79</sup> This includes information on how it supports local businesses and workers, identifies growth sectors in the region, the skills and workforce of the future, and current projects such as windfarms.

While the Australian community is noted for being suspicious of governments ‘blowing their own horns’—and, as noted, this is especially so in the Latrobe Valley—the Committee believes the LVA should do more to promote its work in the region. This will help the community have more confidence in the work being done by the LVA.

**RECOMMENDATION 8:** That the Latrobe Valley Authority identify gaps in community awareness of its work and continue to address these gaps or misunderstandings by promoting its work, including as it relates to the 2022–23 Victorian State Budget’s allocation of \$7.5 million to continue and evolve its work on transition and development for the Latrobe Valley Region, including through the development of a long-term plan for transition and development across the Latrobe Valley region that builds on work already done.

**RECOMMENDATION 9:** That the Latrobe Valley Authority identify and publish a timeline for its work to develop and implement localised transition and development across the Latrobe Valley, and the benchmarks against which it will operate.

**RATIONALE:** Greater awareness of the work of the Latrobe Valley Authority will give the community more confidence in how it is working to achieve its purpose.

## 5.10 The need for a long-term commitment

Current place-based theory states that successful regional transition requires a long-term commitment from government. The need for the LVA to be in place for the long-term has been acknowledged by the Victorian Government. The submission to this Inquiry from DJPR states:

Domestic and international research shows that community involvement and building the capacity of communities to take responsibility for their own future takes time and should be viewed as a long-term goal of any place-based approach ... This requires a long-term commitment to a process that will move through stages from immediate response, to recovery and capability building and then regional growth and transformation ... The LVA is currently engaging with key organisations across sectors to test proposed focus and priorities for the next 3–5 years.<sup>80</sup>

<sup>79</sup> Beth Jones, *Transcript of evidence*, p. 22.

<sup>80</sup> Department of Jobs, Precincts and Regions, *Submission 62*, pp. 18–19.

In its submission, Gippsland Circular Economy Precinct said that the LVA must be a long-term project because it is engaging in long-term structural change addressing ‘strategic issues that cannot be effectively funded through annual review and investment’.<sup>81</sup>

Gippsland Circular Economy Precinct told the Committee that the European Union’s approach to transition is based on seven-year timeframes.<sup>82</sup> At a public hearing, Barry Dungey, who has over 30 years’ experience in the power sector in the Latrobe Valley, recommended that the LVA be given a ‘10- to 20-year budget’.<sup>83</sup>

Other stakeholders who made similar arguments for long-term funding for the LVA include:

- Advance Morwell
- Voices of the Valley
- Gerry Morvell
- Lorraine Bull
- Tom Quinn.<sup>84</sup>

KPMG found that the history of short-term government assistance in Gippsland created initial distrust of the LVA in the community and a belief that it was going to be another short-term ‘band aid’ program. Being committed to the long-term not only makes a just transition more likely to succeed, it will also gradually rebuild community trust in government in the Latrobe Valley.<sup>85</sup>

The nature of funding for the LVA is evolving over time, from delivering infrastructure projects in its immediate response stage, through to its regional growth and transformation stage where the majority of its budget will simply be staffing.

The \$266 million Latrobe Valley Support Package included \$20 million to fund the establishment, staffing and operations of the LVA. This concluded on 30 June 2020 after which funding was provided as part of the four year \$124.5 million Delivering for Rural and Regional Victoria initiative announced in the 2020–21 Victorian Budget. Funding of \$13.8 million was provided for LVA staff for two years until June 2022; and funding of \$13.1 million for its existing programs until June 2021.<sup>86</sup>

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81 Gippsland Circular Economy Precinct, *Submission 44*, p. 6.

82 Ibid.

83 Barry Dungey, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 6.

84 Advance Morwell, *Submission 18*; Voices of the Valley, *Submission 33*; Gerry Morvell, *Transcript of evidence*, p. 33; Lorraine Bull, *Transcript of evidence*, p. 34; Tom Quinn, Head of Policy and Research, Beyond Zero Emissions, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 50.

85 KPMG, *Latrobe Valley Authority Lapsing Program Evaluation*, p. 71.

86 Department of Jobs, Precincts and Regions, *Submission 62*, p. 20.

The 2022–23 Victorian State Budget allocated the LVA \$7.5 million for the 2022–23 financial year. It was not allocated funding for any of the other years in the forward estimates.<sup>87</sup> The 2022–23 State Budget outlined that the funding was provided to ‘continue the Latrobe Valley Authority’s (LVA) operations, support the management of economic transition, identify future opportunities through a transition plan and facilitate business concierge services specific to the Latrobe Valley.’<sup>88</sup>

In addition, the papers noted that the funding is also provided for:

the Ladder Step-Up program to provide employment support for young people in the Latrobe Valley and for delivery of the Inclusive Employment Program by the Gippsland Trades and Labour Council. This investment will mitigate the impacts of industry closures and ensure that communities and workers have the required skills and support to capture emerging opportunities in future growth sectors.<sup>89</sup>

**FINDING 11:** Based on international models of large-scale economic and social transition, the Latrobe Valley Authority’s functions and focus will shift from large infrastructure projects to enterprise specific and community-based work. This work, which requires less funding than that needed to build infrastructure, will also include place-based initiatives that support population growth in and around the Latrobe Valley.

**FINDING 12:** Successful regional transition in the Latrobe Valley will require long-term funding and support, including through effective and enduring partnerships between all levels of government.

<sup>87</sup> Department of Treasury and Finance, *Victorian Budget 2022–23 Paper No. 3*, p. 73.

<sup>88</sup> *Ibid.*, p. 83.

<sup>89</sup> *Ibid.*



# 6 Where to from here: the economic future for the Latrobe Valley

## 6.1 Introduction

This Chapter addresses part (c) of the Terms of Reference, relating to the ‘success or otherwise of the Latrobe Valley Authority (LVA) to help the region transition’.

The Chapter examines the strategies to transition the long-term economic foundations of the Latrobe Valley’s economy away from coal-fired power generation. It looks at the work of the LVA and other government bodies to identify new growth industries in Gippsland and examines other economic development opportunities raised with the Committee. The Chapter concludes with a short overview of the work being done to ensure education and training opportunities match future needs in the region.

## 6.2 Economic development opportunities in the Latrobe Valley

The Latrobe Valley region boasts many assets that should give the community confidence about its future. Natural assets include:

- productive agricultural land
- abundant water resources
- forest and timber resources.
- large brown coal deposits.<sup>1</sup>

In addition, the submission from Latrobe City Council outlined the infrastructure and human capital advantages of the region:

- a highly skilled labour force and engineering expertise
- strong transport infrastructure connectivity to Melbourne and regional markets, including road and rail transport links and established ports
- established electricity transmission and generation infrastructure
- locally based education institutions, including tertiary institutions
- affordable land prices
- relatively low rents and wages compared to the Victorian and national average.<sup>2</sup>

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1 Barry Dungey, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 51; Latrobe City Council, *Submission 5*, p. 2.

2 Latrobe City Council, *Submission 5*, p. 7.

Other stakeholders noted the Latrobe Valley's health and health training facilities,<sup>3</sup> the Gippsland High Tech Precinct, liveability assets such as strong community infrastructure, as well as the potential for eco-tourism in the region.<sup>4</sup>

Latrobe City Council believes these existing strengths offer a competitive advantage for businesses in the Latrobe Valley. They provide a basis for economic growth and employment as the region transitions away from coal-fired power generation.<sup>5</sup>

Enabling this transition comes with its own challenges. Barry Dungey, a consultant with experience in business development in the Latrobe Valley, estimated that assets such as Hazelwood and Yallourn contribute 'something like \$90 million to \$110 million each into the local economy'.<sup>6</sup> Given the large economic output of the sector, the Committee heard that a number of different industries will need to be considered to collectively replace the economic loss associated with the closure of the mines and power stations.

The LVA, Regional Development Victoria (RDV) and Latrobe City Council have each examined economic development opportunities in the Latrobe Valley. They have made recommendations on the kinds of industries that could replace the coal-fired power industry. These new industries are based on the Latrobe Valley's advantages, including natural assets, human capital and existing infrastructure.

**FINDING 13:** International transitions away from coal-fired power indicate that the significant social and economic presence of the Hazelwood and Yallourn mines and power stations across the Latrobe Valley will not be replaced by one single industry or large-scale employer. Instead, a combination of new businesses and industries will be required to offset the economic and social changes and impacts of the closure of the Hazelwood and Yallourn mines and power stations.

### 6.3 The Latrobe Valley Authority's 'smart specialisation' strategy

The LVA has developed a 'smart specialisation' strategy to identify new and existing industries to support the Latrobe Valley's transition away from coal-fired power generation. Smart specialisation involves consultation between business, government, the community and education/research stakeholders to understand the unique strengths of a region and support industries that utilise these strengths. It was developed by the European Union and is a requisite for countries in the European

<sup>3</sup> Barry Dungey, *Transcript of evidence*, p. 50.

<sup>4</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 23.

<sup>5</sup> Latrobe City Council, *Submission 5*, p. 7.

<sup>6</sup> Barry Dungey, *Transcript of evidence*, p. 50.

Union to receive economic development funding.<sup>7</sup> It has been applied across more than 150 European regions since 2014.<sup>8</sup>

Australian Carbon Innovation (ACI) provided the Committee with a paper by academics from the Crawford School of Public Policy: *After the Hazelwood coal fired power station closure: Latrobe Valley regional transition policies and outcomes 2017–2020*. The paper described the aim of smart specialisation as growing a ‘regional innovation eco-system in Gippsland [and] bridging gaps through driving collaboration and knowledge exchange between industry, government, education/research and communities’.<sup>9</sup>

The LVA has worked with the University of Melbourne and RMIT to map the region’s strengths as part of developing a smart specialisation strategy for Gippsland. The strengths were identified through consulting stakeholders in industry and the community. The work, outlined in a report titled *Smart Specialisation Gippsland; Developing and implementing an approach to regional innovation and development in Gippsland, Victoria (2018–2020)*, identified four sectors worth supporting in the region. The sectors identified by the LVA’s smart specialisation strategy are:

- energy
- food and fibre
- tourism
- health and wellbeing.<sup>10</sup>

Nicola Pero, CEO of Food and Fibre Gippsland, gave an example of how smart specialisation would apply to building a food manufacturing and processing facility in the region:

An example would be that we could do all of the [food] manufacturing and processing development that we like in Latrobe Valley, for instance, but not if we do not have the appropriate in-feeding streams from growers and producers from a food and fibre perspective to support that manufacturing and processing. So part of our role in smart specialisation is to take that umbrella view and look for those competitive regional advantages, look for those opportunities, consider the workforce, consider the skills availability, consider transference of skills and consider a whole supply chain. Where is the supply coming from? Where is the demand? Is there export potential? Then look at things like where the best location is for that, should it prove to be feasible. That is the same model that the European Union uses when it is funding EU countries for major development work.<sup>11</sup>

<sup>7</sup> Leo Goedegebuure, Bruce Wilson, Lars Coenen, Marian Schoen, Sebastian Fastenrath, Chloe Ward and Emma Shortis, *Gippsland Smart Specialisation: Developing and implementing an approach to regional innovation and development in Gippsland, Victoria (2018–2020)*, University of Melbourne and RMIT University, 2020, p. 17.

<sup>8</sup> Australian Carbon Innovation, *Submission 17, Attachment 3*, p. 19.

<sup>9</sup> *Ibid.*, pp. 20–21.

<sup>10</sup> Leo Goedegebuure, *Gippsland Smart Specialisation*, pp. 44–9; University of Melbourne and RMIT, *Gippsland Smart Specialisation, Developing and implementing an approach to regional innovation and development in Gippsland, Victoria (2018–2020)*, pp. 44–49.

<sup>11</sup> Nicola Pero, Chief Executive Officer, Food and Fibre Gippsland, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 33.

The following sections give an overview of each of these sectors, including observations from stakeholders in this Inquiry. NB: The ideas identified in this section were sourced from the LVA's website at the time of writing this Report and may be subject to change.

### 6.3.1 Energy

The Latrobe Valley has many energy strengths. Apart from its unique brown coal deposits, natural assets such as geothermal aquifers under the coal deposits and stable winds make it suitable for renewable energy generation. As well, one legacy of the coal-fired power stations is significant transmission infrastructure.<sup>12</sup>

The LVA has worked with regional partners in industry, education and the community, including the Gippsland Climate Change Network, to identify which aspects of the energy sector best align with the region's natural strengths. The current ideas identified for growth in the energy sector are:

- geothermal—for heating and in some cases energy generation. The aquifers are relatively close to the surface and cheaper to access than in many places in the world
- 'smart energy'—community energy projects to promote energy independence and resilience in rural areas and the promotion of smart grids, which use software to optimise distributed energy resources, including rooftop solar and solar batteries
- bioenergy—using organic materials, such as agricultural and municipal waste, to produce energy.<sup>13</sup>

Community energy was also identified in the LVA's *Smart Specialisation Gippsland* report, but no longer features on the LVA's website.<sup>14</sup> It is likely that this has been subsumed by the smart energy strategy.

Lorraine Bull, member of the Latrobe Valley Sustainability Group and board member of the Gippsland Climate Change Network, described the work done with the LVA on its energy strategies:

we have taken on the projects for bioenergy, to look at growing biocrops, and looked at pyrolysis.<sup>15</sup> 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.<sup>16</sup>

However, Marianne Robinson, Secretary of Voices of the Valley, was critical of the economic opportunities available in relation to the smart energy strategy in particular.

<sup>12</sup> Leo Goedegebuure, *Gippsland Smart Specialisation*, pp. 46–47.

<sup>13</sup> Latrobe Valley Authority, *Energy*, <<https://lva.vic.gov.au/growth-sectors/energy>> accessed 21 April 2022.

<sup>14</sup> Leo Goedegebuure, *Gippsland Smart Specialisation*, p. 47; Latrobe Valley Authority, *Energy*.

<sup>15</sup> Thermal decomposition of materials.

<sup>16</sup> Lorraine Bull, Member, Latrobe Valley Sustainability Group, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 36.

She said that regulations prevent the projects from scaling up past an experimental stage:

one of the crucial things about renewable energy and community renewable energy and microgrids and all these wonderful ideas for the future is the regulations about distributing electricity, which means you can only have experimental projects. You cannot have development projects because the regulations do not allow it. So somebody has a wonderful idea about a microgrid for a particular town, say in a remote community. It has got to either be an experiment, in which case it can get an experimental approval or licence or whatever it needs, but otherwise it has all got to be behind the meter—it cannot be in front of the meter—which means that the ideas are wonderful, the implementation is very, very problematic.<sup>17</sup>

Much of the evidence the Committee received regarding opportunities for the energy industry in the Latrobe Valley was in relation to larger utility scale renewable energy projects. These projects include the Marinus Link, Star of the South and the Hydrogen Energy Supply Chain (HESC). They have the potential to create many jobs and bring significant investment to the region. The scale of these projects is in contrast to the localised nature of the energy sector projects identified by the LVA as part of its smart specialisation strategy. The utility scale renewable energy projects are discussed in detail in Section 6.6.

### 6.3.2 Food and fibre

Food and fibre is one of the traditional strengths of the Latrobe Valley owing to its productive agricultural land and significant water resources.<sup>18</sup> The LVA has partnered with business and community stakeholders to identify potential opportunities in the food and fibre sector. The current ideas identified for growth in the food and fibre sector are:

- sustainable emerging commodities, insects and seaweed—the creation of commercial insect and seaweed farming industries to provide sustainable alternative protein sources for a growing world population
- Gippsland Trusted Provenance Trademark—to create a trusted and recognisable Gippsland brand for use by food producers in the region to market their produce
- an advanced vegetable processing hub—to process regional horticultural produce into higher value products such as functional foods and nutraceuticals<sup>19</sup>
- carbon economies—developing a carbon asset and liabilities register to allow organisations with high levels of carbon liabilities to enter into purchase/offset agreements with owners of carbon assets

<sup>17</sup> Marianne Robinson, Secretary, Voices of the Valley, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, p. 13.

<sup>18</sup> Latrobe City Council, *Submission 5*, p. 2; Nicola Pero, *Transcript of evidence*, p. 35.

<sup>19</sup> Nutraceuticals are products derived from food sources that have perceived health benefits. Leo Goedegebuure, *Gippsland Smart Specialisation*, pp. 44–45.

- circular economies—a waste trading platform to enable the trade of currently unused/underutilised food and fibre produce, in favour of higher value applications
- collective craft malting—a collective craft malting facility to process local grain into malt for use by local craft breweries and distilleries.<sup>20</sup>

Nicola Pero explained how insects and seaweed can be marketed as an alternative protein source:

I appreciate that in Australia we are still in that icky place with insect protein. Many countries abroad have been eating them for centuries, and I always say to people prawns are nothing but insects in the ocean, so we will get there.<sup>21</sup>

Seaweed is another project. Gippsland has more waterways and coastline than almost any other region in Australia. We have clean, green, trusted provenance—the image of our region. We need to be able to capitalise on that [It] is a perfect example of an integrated supply chain. The hatcheries are required. It needs to be grown. It can be grown in inland waterways or it can be grown offshore. It needs to be processed and manufactured. Latrobe Valley is an absolute linchpin for integrated supply chains across Gippsland with the transport and logistics access and the access to a workforce and transferable skills around advanced manufacturing and processing and smart packaging and distribution and all of those components. And it is logistically placed within the Gippsland region just perfectly.<sup>22</sup>

In relation to an advanced vegetable processing facility, Ms Pero noted that a feasibility study has been completed and Food and Fibre Gippsland is looking for investment partners for the project.<sup>23</sup>

Ms Pero also discussed the potential of the proposed Gippsland Trusted Provenance Trademark to market the region. She noted that some producers were already beginning to take up the branding and it is ‘now completed, finished and starting to be rolled out into the marketplace.’<sup>24</sup>

The submission from Food and Fibre Gippsland argued that the smart specialisation work in the food and fibre sector would:

- develop workforce skills
- diversify businesses and promote collaboration
- attract new investment and grow the region’s seven billion dollar food and fibre value chain.<sup>25</sup>

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20 Latrobe Valley Authority, *Food and Fibre*, <<https://lva.vic.gov.au/growth-sectors/food-and-fibre>> accessed 25 April 2022.

21 Nicola Pero, *Transcript of evidence*, p. 33.

22 *Ibid.*, p. 34. Insects can also be used to consume organic waste in the dairy processing sector.

23 *Ibid.*, p. 33.

24 *Ibid.*, p. 34.

25 Food and Fibre Gippsland, *Submission 45*, p. 3.

Some of these ideas are ready for commercial investment, while other are at the exploration and discovery phase.<sup>26</sup>

### 6.3.3 Tourism

The LVA has worked with Destination Gippsland, the region's peak tourism body, and a range of industry, education, government, and community stakeholders to identify Gippsland's strengths in the tourism sector. The results are a Tracks and Trails Feasibility Study and the Gippsland Regional Events Strategy, both of which feed into growth strategies in the tourism sector. The current ideas identified for growth in the tourism sector are:

- Events Gippsland—a body made up of the local councils within Gippsland, the LVA, RDV and Sport and Recreation Victoria to collaborate and decide which events should receive Government funding.
- Gippsland Tracks and Trails—the creation of tracks and trails across Gippsland to attract visitors to the region. Destination Gippsland is also investigating how technology can provide a competitive advantage and add value to the tracks and trails network in Gippsland.
- Design, Construct and Maintain Co—the establishment of a social enterprise company to design, construct and maintain Gippsland's network of tracks and trails with profits invested in trail maintenance, development and promotion.
- Wayfarer Visitor Accommodation Platform—a holiday rental platform that would raise funds to support the development of tracks and trails in Gippsland as well as local events and tourist attractions.<sup>27</sup>

The submission from Destination Gippsland said Events Gippsland would allow the region to pool its resources to compete for events and optimise their economic benefits. It stated:

It creates a focus for all the LGAs, Latrobe Valley Authority (LVA) and strategic partners in relation to acquiring and developing regional and major events and enables them to leverage the collective strength to achieve outcomes beyond what would be possible independently.<sup>28</sup>

The submission also estimated that the Gippsland Regional Events Strategy would add over \$20 million and around 280 jobs to the Gippsland economy within ten years.<sup>29</sup>

<sup>26</sup> Ibid.

<sup>27</sup> Latrobe Valley Authority, *Tourism*, <<https://lva.vic.gov.au/growth-sectors/tourism>> accessed 26 April 2022.

<sup>28</sup> Destination Gippsland, *Submission 42*, p. 6.

<sup>29</sup> Ibid., p. 4.

### 6.3.4 Health and wellbeing

The health sector is the largest employer in the Latrobe Valley.<sup>30</sup> The region is served by Latrobe Regional Hospital and has a range of services, including medical, nursing, pharmacy, allied health, community services and disability support.<sup>31</sup>

The Latrobe Valley has been designated a Health Innovation Zone, an initiative arising from the Hazelwood Mine Fire Inquiry. The Zone devolves aspects of health funding and policy to a Health Assembly made up of Latrobe Valley community stakeholders.

The LVA is currently consulting with the health sector as part of its Health Innovation Transformation and Discovery initiative, to identify opportunities that will deliver both economic growth and health benefits for the community.<sup>32</sup> Chris Buckingham, CEO of the LVA, gave the example of developing the workforce at Latrobe Regional Hospital, saying:

Latrobe Regional Hospital is the biggest single employer in the region. The biggest single challenge they appear to face is actually about having a workforce that are able to do the work that they need. So we have a role to play, once again, working with training providers to ensure that we are taking an evidence-based approach to developing workforce but also ensuring that the region gets the investment it needs in health and wellbeing to ensure indeed the wellbeing of the community broadly.<sup>33</sup>

The LVA has commissioned the *Gippsland's Future Health and Community Services Workforce* report to identify the sector's future workforce needs. According to the submission from DJPR, a key recommendation has identified the need for further allied health tertiary courses in Gippsland. The submission noted:

The Victorian Government has supported Federation University to establish new allied health courses at its Churchill campus which now include Physiotherapy, Exercise Physiology, Occupational Therapy and Speech Therapy with training programs utilising the Wellness Centre at Gippsland Regional Aquatic Centre.<sup>34</sup>

**FINDING 14:** The ideas for economic growth identified by the Latrobe Valley Authority's smart specialisation strategy are at varying stages of development. Some are at the discovery phase with others nearing readiness for commercial investment.

<sup>30</sup> Latrobe City Council, *Submission 5*, p. 10.

<sup>31</sup> Latrobe Valley Authority, *Health and wellbeing*, <<https://lva.vic.gov.au/growth-sectors/health-and-wellbeing>> accessed 25 April 2022.

<sup>32</sup> Leo Goedegebuure, *Gippsland Smart Specialisation*, p. 49.

<sup>33</sup> Chris Buckingham, Chief Executive Officer, Latrobe Valley Authority, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 11.

<sup>34</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 23.

## 6.4 Economic development strategies for the Latrobe Valley considered by other government bodies

The LVA is not the only government body considering economic development strategies to help the region transition from coal-fired power generation. RDV and Latrobe City Council have also completed studies of the strengths of the Latrobe Valley and identified sectors to target for support. These strategies are:

- Gippsland Regional Economic Development Strategy (RDV)
- Investment Roadmap (Latrobe City Council).

### 6.4.1 The Gippsland Regional Economic Development Strategy

The submission from DJPR discussed the Gippsland Regional Economic Development Strategy (the Gippsland REDS). Like the LVA's smart specialisation strategy, the Gippsland REDS analyses the strengths of the region and suggests potential growth industries to support. The Gippsland REDS is a product of consultation between the Victorian Government and stakeholders in the region.<sup>35</sup>

Beth Jones, Chief Executive Officer of RDV, gave an overview of the Gippsland REDS and the work RDV has done to identify growth sectors. She told the Committee:

A priority for my teams, through RDV and the LVA, is to pursue strategic growth opportunities identified through the evidence base provided in the Regional Economic Development Strategy, which is currently being developed for Gippsland. The REDS is evidence based. It brings together detailed analyses of the socio-economic context, the deep understanding of local priorities and aspirations and insights on drivers of change.<sup>36</sup>

Ms Jones added that the work so far has identified the following growth sectors:

- food and fibre
- new energy
- health and wellbeing
- tourism
- advanced manufacturing.<sup>37</sup>

The submission from DJPR stated that the Gippsland REDS is still being finalised. It was due for release in early 2022.<sup>38</sup>

<sup>35</sup> Ibid., p. 15.

<sup>36</sup> Beth Jones, Chief Executive Officer of Regional Development Victoria, Deputy Secretary of Rural and Regional Victoria, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 19.

<sup>37</sup> Ibid.

<sup>38</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 15.

## 6.4.2 The Latrobe City Council Investment Roadmap

Latrobe City Council's report, *Investment Roadmap 2030 and Beyond*, identifies new industries it believes could replace the closing mines and power stations. Like the smart specialisation strategy and the Gippsland REDS, this work involved a strategic assessment of the strengths of the region and collaboration with regional stakeholders.

The Investment Roadmap identifies the following sectors and sub-sectors for growth:

- Industry-led skills and training—expansion of initiatives to upskill workers in industry-based training courses at local education institutions such as Gippsland TAFE and Federation University.
- Advanced manufacturing—including the following sub-sectors:
  - defence engineering—to leverage advanced manufacturing and heavy industry skills associated with the power industry
  - food and fibre—to establish food processing facilities that would be supplied by the high-quality produce in the Gippsland region.
- Regional and rural health—manufacturing key health supplies, and the expansion of health workforce training, including allied health, through Federation University.
- Circular economy—including the following sub-sectors:
  - Recyclables—the establishment of a Gippsland resource recovery facility.
  - Geothermal—the development of facilities that harness the Latrobe Valley's geothermal resources.
  - Renewables—the construction of renewable energy generators in the Gippsland Renewable Energy Zone to capitalise on the region's renewable energy resources and existing transmission infrastructure.
  - Hydrogen and carbon-based opportunities—the use of the Latrobe Valley's brown coal resources to produce hydrogen, including development of HESC and CarbonNet (see Section 6.6.3) and the manufacture of products made from carbon in the brown coal.<sup>39</sup>

## 6.5 The Committee's assessment of economic development strategies by Government agencies

As stated at the beginning of this Chapter, no single industry will replace the economic output (including workers' wages) of the coal-fired power industry. Instead, a number of industries, involving businesses new to the Latrobe Valley and existing ones, will need to be supported. The industries identified by the LVA, RDV and Latrobe City Council are based on the existing strengths of the Valley.

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<sup>39</sup> Latrobe City Council, *Submission 5*, pp. 8-13.

The Committee has identified overlap between the growth sectors identified by the LVA, RDV and Latrobe City Council. Table 6.1 shows the different sectors and sub-sectors identified in each strategy and the crossovers. The Committee notes that the sectors for the Gippsland REDS are yet to be finalised.

**Table 6.1 Latrobe Valley development strategies overlap**

Organisation	Strategy title	Sector <sup>a</sup>	Sub-sector <sup>b</sup>	Crossover themes (identified by two or more strategies)
Latrobe Valley Authority	Smart specialisation	Energy	<ul style="list-style-type: none"> <li>• Geothermal</li> <li>• Circular economies</li> </ul>	<ul style="list-style-type: none"> <li>• Energy, including renewable energy, geothermal and hydrogen</li> <li>• Food and fibre</li> <li>• Tourism</li> <li>• Health and wellbeing</li> </ul>
		Food and fibre		
		Tourism		
		Health and wellbeing		
Regional Development Victoria	Gippsland Regional Economic Development Strategy	Food and fibre	TBC	<ul style="list-style-type: none"> <li>• Tourism</li> <li>• Health and wellbeing</li> <li>• Advanced manufacturing</li> <li>• Circular economy</li> </ul>
		New energy		
		Health and wellbeing		
		Tourism		
		Advanced manufacturing		
Latrobe City Council	Investment Roadmap	Industry-led skills and training	<ul style="list-style-type: none"> <li>• Food and fibre</li> <li>• Geothermal</li> <li>• Renewable energy generators</li> <li>• Hydrogen and carbon-based opportunities</li> </ul>	
		Advanced manufacturing		
		Regional and rural health innovation hub		
		Circular economy		

a. The sectors listed for the Gippsland REDS are based on oral evidence provided to the Committee at a public hearing. The Committee understands the strategy is still being developed and these themes may change.

b. Only sub-sectors which crossover with other strategies have been selected.

Source: Legislative Council Economy and Infrastructure Committee.

Mr Buckingham also observed a ‘high degree of compatibility’ between the strengths identified by the LVA and the Gippsland REDS.<sup>40</sup> Similarly, Latrobe City Council CEO Steven Piasente told the Committee the strategies identified in the Gippsland REDS were ‘fairly well aligned’<sup>41</sup> with those in Latrobe City Council’s Investment Roadmap.

<sup>40</sup> Chris Buckingham, *Transcript of evidence*, p. 12.

<sup>41</sup> Steven Piasente, Chief Executive Officer, Latrobe City Council, public hearing, Traralgon, 24 November 2021, *Transcript of evidence*, pp. 2–3.

As discussed in Chapter 5, the Committee has received assurances that the LVA and RDV Gippsland communicate effectively to avoid overlap of work.<sup>42</sup> In addition, Ms Jones told the Committee that RDV is ‘very engaged with Latrobe City Council’<sup>43</sup> although neither the LVA nor RDV sit on the Council’s transition taskforce.

The Committee acknowledges the work done by the LVA and RDV to avoid duplication of their work. However, the Committee has identified an example of overlap between the LVA’s smart specialisation and RDV’s Gippsland REDS.<sup>44</sup> It includes this information to assist both agencies in their work.

**FINDING 15:** There is overlap in the work done by the Latrobe Valley Authority with its smart specialisation strategy and Regional Development Victoria’s Gippsland REDS. Evidence provided by the Latrobe Valley Authority and Regional Development Victoria indicates that these two arms of the Victorian Government are working to reduce this overlap in their work, and engagement with the community.

## 6.6 Utility scale renewable energy projects raised by stakeholders

As discussed in Section 6.3.1, the Committee was informed about three significant renewable energy projects planned for the Gippsland region. These projects—Marinus Link, the Star of the South, and HESC – are at various stages of development and regulatory approval. If completed, they will not only help to secure Victoria’s renewable energy future, but also provide many jobs and significant investment in the Latrobe Valley.

### 6.6.1 Marinus Link

Marinus Link is a proposed high voltage direct current interconnector that would connect Victoria and Tasmania. It is proposed to transmit 1,500 megawatts across the Bass Strait and connect to existing transmission infrastructure in the Latrobe Valley. It would require 250 kilometres of undersea cables and 90 kilometres of underground cables (see Figure 6.1).

Bess Clark, Chief Executive Officer of Marinus Link Pty Ltd, told the Committee the proposed capacity of the Link matches that produced by Yallourn or, in the past, Hazelwood.<sup>45</sup> Marinus Link would also provide telecommunications infrastructure, such as optical fibre capability.<sup>46</sup>

<sup>42</sup> Sara Rhodes-Ward, Regional Director Gippsland, Regional Development Victoria, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 3.

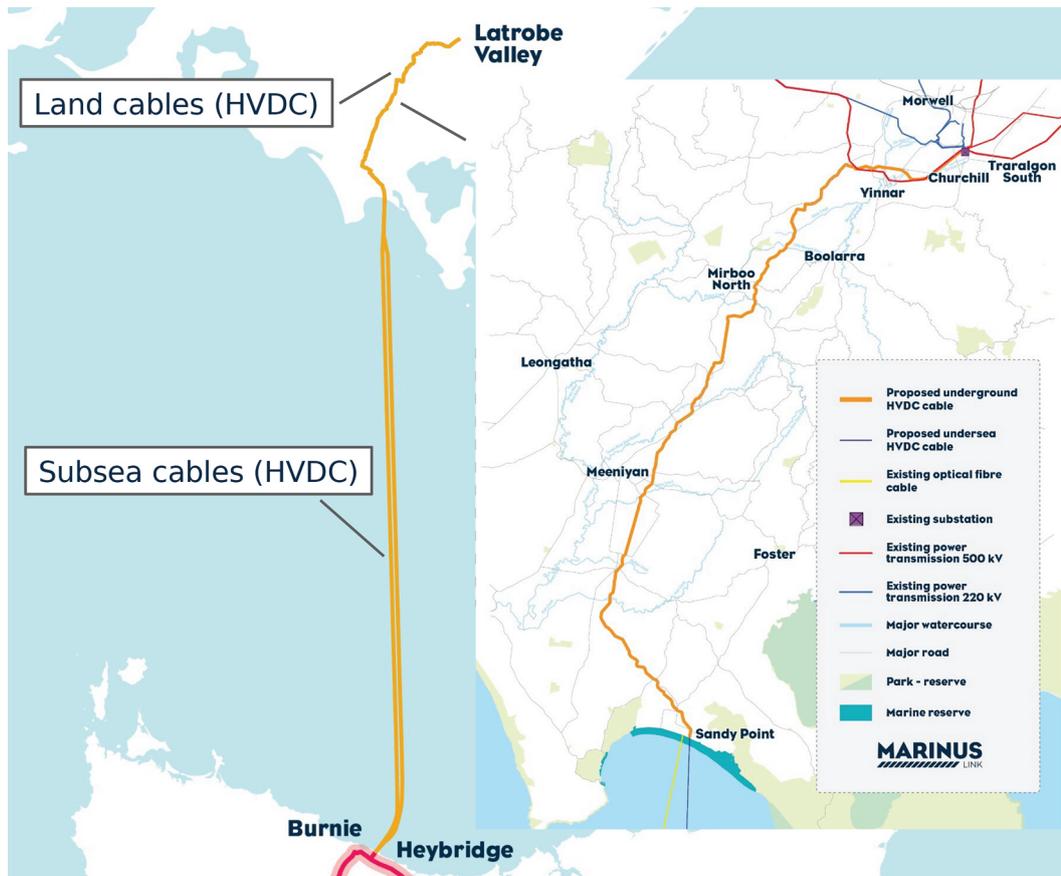
<sup>43</sup> Beth Jones, *Transcript of evidence*, p. 29.

<sup>44</sup> The Committee notes further overlap with Latrobe City’s Investment Roadmap, however work done by LGAs is outside the control of the State Government.

<sup>45</sup> Bess Clark, Chief Executive Officer, Marinus Link Pty Ltd, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 37.

<sup>46</sup> *Ibid.*, p. 37.

Figure 6.1 Marinus Link proposed route overview



Source: Marinus Link Pty Ltd, presentation to the Committee, public hearing on 16 February 2022, p.3.

The project would be built in two stages, both comprising 750 megawatts capacity. Ms Clark said that this was to ensure the system would cope if one link went down.<sup>47</sup> The first stage is planned to be operational in the 2028–29 financial year, with the second stage in the 2031–32 financial year.

According to Ms Clark, Marinus Link has been identified as a high priority by Infrastructure Australia and included in Infrastructure Victoria's 30-year strategy. She said that the Australian Energy Market Operator (AEMO) supports Marinus Link, deeming it 'actionable' due to the 'material benefits' it will provide,<sup>48</sup> which she listed as:

- the exchange of energy across Bass Strait—this allows stored energy (such as Tasmania's pumped hydro deep storage) to be transmitted to the national market
- competitive consumer energy prices—the project costs less than some other initiatives and creates competition in the wholesale energy market<sup>49</sup>
- reducing emissions of 140 million tonnes of carbon dioxide by 2050.<sup>50</sup>

<sup>47</sup> Ibid.

<sup>48</sup> Ibid., p. 38.

<sup>49</sup> Ibid.

<sup>50</sup> Bess Clark, Chief Executive Officer, Marinus Link Pty Ltd, presentation at public hearing, Melbourne, 16 February 2022, p.8.

Ms Clark told the Committee that according to modelling done by Ernst & Young, Marinus Link would contribute \$1.5 billion dollars and around 1,400 jobs throughout its expected 40-year lifespan, although the majority of these would be during the construction phase.<sup>51</sup>

Benjamin White, Executive Manager, Stakeholder, Land and Environment at Marinus Link Pty Ltd, added that the specialised nature of the project meant international tendering for some jobs is required but that Marinus Link intends to use local workers where possible. He said that during the construction phase the project is looking for:

electricians, plumbers, builders, carpenters, welders and metalworkers, and that is in addition to the labourers, machinery operators, drivers, truck drivers—you can imagine. And then there are professional services workforces, including engineers, project managers, cost estimators, construction, land use planning, lawyers, financiers, surveyors, safety and incident controllers—and the list goes on.<sup>52</sup>

Mr White anticipated the project would then employ around 30 direct and 65 indirect jobs through Marinus Link's service life.<sup>53</sup>

As of February 2022, the project was in the design and approvals phase.<sup>54</sup>

### 6.6.2 Star of the South

Star of the South is a proposed offshore wind farm to be located between approximately 7–25 kilometres off the coast of Gippsland (see Figure 6.2). It would consist of up to 200 turbines connected to the transmission network in the Latrobe Valley using cables and substations where it would feed into the market.<sup>55</sup>

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<sup>51</sup> Bess Clark, *Transcript of evidence*, p. 38.

<sup>52</sup> Benjamin White, Executive Director of Stakeholder, Land and Environment, Marinus Link, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 42.

<sup>53</sup> Ibid.

<sup>54</sup> Bess Clark, *Transcript of evidence*, p. 37.

<sup>55</sup> Ibid; Star of the South, *Project overview*, 2020, <<https://www.starofthesouth.com.au/project-overview>> accessed 21 April 2022.

Figure 6.2 Proposed Star of the South location and transmission route



Source: Star of the South, Project overview, 2020, <<https://www.starofthesouth.com.au/project-overview>> accessed 21 April 2022.

In its submission, Star of the South outlined its commitment to supporting the Latrobe Valley and the wider Gippsland region:

Star of the South is committed to working with Latrobe Valley and Gippsland communities to maximise local employment and economic opportunities. We have already established an office in Gippsland, employing local workers and investing development expenditure into the region's economy through our 'buy local' approach.

We are engaging with the Latrobe Valley Authority, Regional Development Victoria, the Committee for Gippsland, GROW Gippsland, TAFE Gippsland, Federation University and the Gippsland Trades and Labour Council to map out opportunities and to share knowledge about the skills and training requirements required for a new offshore wind sector.<sup>56</sup>

The submission estimated the economic potential of the project as:

- around \$8.7 billion in investment in Victoria over its lifetime, including an estimated \$6.4 billion direct boost to Gippsland's economy
- wider economic benefits worth more than \$10.4 billion for the state (Gross Value Added)
- around 2,000 direct jobs in Victoria over its lifetime, including 760 Gippsland jobs during construction and 200 ongoing local jobs once it's up and running.<sup>57</sup>

At a public hearing, Erin Coldham, Chief Development Officer at Star of the South, elaborated on the nature of the work associated with the project:

There is quite a big effort in terms of the civil construction and the onshore works to build that project. Equally, during the long-term operations and maintenance phase,

<sup>56</sup> Star of the South, *Submission 49*, p. 4.

<sup>57</sup> *Ibid.*, pp. 5–6.

that is where would see some several hundred ongoing jobs, and the types of skills that we will need are very similar to what exist in this region, so just to name a few: boilermakers, welders, mechanics and electrical engineers. These are all skills that you need for an offshore wind sector. And we typically do see more jobs with offshore wind compared with onshore renewables, just given the highly skilled nature of the work and the logistics out at sea.<sup>58</sup>

Ms Coldham said that Star of the South is interested in employing former coal power workers. It is working with EnergyAustralia to map the skills of the Yallourn workforce and determine the training needed to help workers transition to the project. Ms Coldham explained:

So one of the things we are doing is collaborating, for example, with EnergyAustralia. On the day of their announcement some 12 months ago we connected over the phone and said, 'Right, you're going to start transition planning; we're planning for a future workforce. Let's understand skills exist here in the coal plants and how we can paint a picture of what that looks like for offshore wind, because we know there's overlap'. And so what we're doing is creating with those who have worked in offshore wind globally job descriptions, one-page job descriptions, that highlight: this is the type of job you can have in offshore wind. So we can see how that overlays with the skills, and equally we can share that with the training and education centres to determine whether these courses exist or whether they are new courses that need to come to fruition before an offshore wind sector gets up and going to maximise employment in the region.<sup>59</sup>

Ms Coldham also spoke of the competition for resources caused by global demand for offshore wind projects and ways in which jurisdictions can be 'attractive'.<sup>60</sup> When asked about measures the Victorian Government could take to support Star of the South, Ms Coldham complimented Victoria's development funding. She told the Committee:

offshore wind is one of the fastest growing global technologies in energy around the world, so there is competition for funds, if you will, and locations to invest. One of the things investors look for is policy certainty. So to touch on and certainly to acknowledge some very positive developments last year for offshore wind, in late November we saw the Victorian State Government commit to three projects, and ours was one of those, and some development funding, some—certainly I can speak for our project—\$19.5 million to help with those next stage of development activities, and certainly that has shored up, I believe, \$96 million in private sector funding over the coming years to come into Gippsland. So that was an important signal to the investment community, but there is longer term involvement needed.<sup>61</sup>

Equally important is the way in which governments send signals to the market through policy and legislation. State governments provide certainty through committing to including renewables in their 'energy mix', while the Commonwealth has a role around wind farm zoning and licencing. Ms Coldham said:

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58 Erin Coldham, Chief Development Officer, Star of the South, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 47.

59 *Ibid.*, p. 45.

60 Star of the South, *Submission 49*, p. 5.

61 Erin Coldham, *Transcript of evidence*, p. 46.

The second piece of the equation is the Victorian government's offshore wind sector strategy, which was again a commitment out of the 2020 budget, I believe. Seeing some of the thinking around that strategy and how government sees offshore wind playing a role in the energy transition is very helpful in terms of timing but also capacity amongst the other technologies that might be coming in at that point in time.

And just to touch on the Federal Government's contribution ... we saw historic legislation pass through the federal Parliament enabling offshore wind. So the Offshore Electricity Infrastructure Bill was passed and will come into effect on 2 June this year—again, another very important signal. Having said that, there is still more work to be done in that space, with detailed regulations, declaration of areas that are suitable for offshore wind and the awarding of long-term licences. So they are ongoing hurdles that we will need to continue to overcome before we can see an offshore wind industry materialise—and certainly any involvement from government is very welcome, particularly in terms of any partnership we can do—and bring our industry experience not only from what we are doing on the ground in Gippsland but equally the technical capabilities that we have brought in from places like Denmark and the UK, where people have been working for 10, 20 years in offshore wind, to ensure that that knowledge and those lessons are being brought into the policy settings also.<sup>62</sup>

The Committee heard that the project is currently undertaking environmental assessments and undergoing regulatory approval, estimated to end in 2024. Final investment decisions, construction and operations are expected from 2025 onwards. Ms Coldham added that the project is expecting further policy and regulatory advice on the Commonwealth Government's *Offshore Electricity Infrastructure Act 2021* to ensure licensing.<sup>63</sup>

### 6.6.3 Hydrogen Energy Supply Chain

The HESC project aims to produce hydrogen from Latrobe Valley brown coal. Liquefied hydrogen would be transported for use in Japan and other East Asian countries.<sup>64</sup> The project is a joint venture between international and Australian industry partners, including Royal Dutch Shell, Kawasaki Heavy Industries, J-Power and AGL Energy. The Japanese, Australian and Victorian Governments have invested approximately \$500 million into the project.<sup>65</sup>

The HESC project consists of two stages: the pilot stage; and commercial operations. The pilot stage is underway. Kawasaki Heavy Industries (on behalf of the HESC consortium) outlined the pilot's operations to the Committee:

- hydrogen is produced from coal using a coal gasification and gas-refining process. This happens at a new plant located at the AGL Loy Yang complex in the Latrobe Valley

<sup>62</sup> Ibid.

<sup>63</sup> Ibid., p. 48.

<sup>64</sup> Kawasaki Heavy Industries, *Submission 29*, p. 2.

<sup>65</sup> Ibid., pp. 2-3.

- the hydrogen is transported by truck to a liquefaction and loading terminal at the Port of Hastings (approximately 163 kilometres away)
- the gas is liquefied, loaded onto a specialised marine carrier and shipped to Japan.<sup>66</sup>

Jeremy Stone, Non-Executive Director of J-Power (a HESC project partner), complimented the Victorian Government's support for the project, particularly in light of growing global demand for hydrogen, and encouraged continued support to solidify a hydrogen export industry:

So every state and territory of Australia, for example, has hydrogen activities, hydrogen initiatives. The state governments and territory governments are putting a lot of money behind their opportunities. Victoria happens to be the first, which is fantastic. It is also worth noting that many other countries in the world are also pursuing the hydrogen export industry, so we need to move quickly ...<sup>67</sup>

The commercial stage of the project is proposed to run alongside CarbonNet, a carbon capture and storage project. The commercialisation of both projects will allow for carbon dioxide emissions from the hydrogen production process to be captured and stored by CarbonNet in depleted gas reserves off Bass Strait.

Jane Burton, DJPR's Executive Director, Earth Resources Policy and Programs, Forestry, Resources and Climate Change, told the Committee that, along with providing funding, the Commonwealth Government is working with DJPR on new low emissions opportunities for brown coal and governance issues related to CarbonNet. She said that although CarbonNet would be a 'first for Victoria', the technology is 'proven' as evidenced by:

- 25 carbon capture and storage facilities built around the world in the past 45 years
- 135 further projects in development
- capturing of an estimated 40 million tonnes of carbon dioxide globally per year.<sup>68</sup>

Ms Burton revealed that CarbonNet is currently going through an environmental approval process. This follows internationally peer reviewed analysis of the proposed storage sites that, she said, has given DJPR 'great confidence in the offshore sites.'<sup>69</sup> She stressed that regulatory approval will not be rushed and that the Latrobe Valley community will be kept informed about the project, telling the Committee:

it is really important that we do fully understand any potential environmental impacts that are associated with a project of this nature. We are working very hard to make sure we will identify what those are and be very clear, and also we are working really closely with the community to have them understand what this project is all about. We have done that for the last few years. To that end, we have had a community reference group

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<sup>66</sup> Ibid., p. 2.

<sup>67</sup> Jeremy Stone, Non-Executive Director, J-Power, public hearing, Melbourne, 2 March 2022, *Transcript of evidence*, p. 24.

<sup>68</sup> Jane Burton, Executive Director, Earth Resources Policy and Programs, Forestry, Resources and Climate Change, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 27.

<sup>69</sup> Ibid.

with councillors and council officers from Wellington and Latrobe City councils and also community members on it. I think it is really important that we continue the dialogue and have community understand what this project is all about. But I think in terms of the regulatory approvals there are certainly very clear pathways that we, being government, cannot dance around or ignore. We just have to follow the rules like everybody else, and that is what we are doing.<sup>70</sup>

While HESC is proposed with CarbonNet in mind as a means abating emissions, Mr Stone added that HESC infrastructure could be used for hydrogen generated from renewable sources, too. He said:

It is worth noting in that regard that if we were to build a commercial phase HESC project, many of the facilities could be used for any form of hydrogen production. So we are talking about coal and biomass, but it could be renewables, so our hydrogen pipeline and our liquefaction facility in the port would be open for any form of hydrogen production. So investments, even in our project, if we were first, would also provide investment into other clean hydrogen production pathways, so we would see that as a great advantage.<sup>71</sup>

The Committee also heard hydrogen generation provides opportunities for workforce transition projects. AGL Loy Yang's General Manager, Christo Van Niekerk, observed 'definite skill sets' that are common between power stations and hydrogen generation.<sup>72</sup>

A 2020 article on the Conversation authored by University of Technology Sydney researchers found a direct crossover between coal sector and renewable energy jobs in the following areas: construction and project managers; engineers; electricians; mechanical trades; office managers and contract administrators; and drivers. The authors found no direct crossover in semi-skilled machine operators such as drillers, which make up around one-third of the coal workforce across Australia.<sup>73</sup>

#### 6.6.4 Renewable energy hubs

A number of stakeholders suggested that existing power station sites should be re-purposed as 'renewable energy hubs'. For example, Gippsland Climate Change Network said the existing transmission infrastructure and workforce in the Latrobe Valley could be assets for renewable energy projects, such as a renewable energy precinct. It said:

There are significant opportunities and cost savings associated with the proximity to existing power infrastructure and high voltage powerlines which would be beneficial for the establishment of renewable energy parks and multi-use sites. There is also a skilled labour resource that can be redeployed to renewable energy options with

<sup>70</sup> Ibid., pp. 26–7.

<sup>71</sup> Jeremy Stone, *Transcript of evidence*, p. 24.

<sup>72</sup> Christo van Niekerk, General Manager, AGL Loy Yang, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 25.

<sup>73</sup> Dan Himbrechts, *The Conversation: 45,000 renewables jobs are Australia's for the taking - but many will go to coal workers*, 2020, <<https://theconversation.com/45-000-renewables-jobs-are-australias-for-the-taking-but-how-many-will-go-to-coal-workers-141531>> accessed 4 May 2022.

training ensuring that the transition is fostering local jobs by increasing local expertise and addressing the negative wellbeing impacts on communities from closing traditional energy generation facilities and associated job losses.<sup>74</sup>

Beyond Zero Emissions agreed that the existing transmission infrastructure provides a 'distinct competitive advantage'. It said this provides a key grid connection point and could provide capabilities for utility scale batteries, pumped hydro and synchronous units.<sup>75</sup>

Mr Van Niekerk told the Committee that AGL is also looking at whether its decommissioned power stations could be used for renewable energy hubs, with work underway on large-scale batteries and supporting hydrogen production. He told the Committee:

The question obviously is what do we leave behind after 2040 to 2045, once it is closed? We started talking about the footprint that we have got and developing these industrial energy hubs around those footprints. We have got quite large real estate. We have got interconnectivity into the electricity grid, water supply et cetera, et cetera. So we are pretty keen to develop this concept of the industrial energy hub ... in terms of the transition, including going forward, we are members of the LCC Transition Task Force. We have had a meeting and we committed to work closely with local government and also state and national government in terms of how we progress this going forward.<sup>76</sup>

Steve Rieniets, Group General Manager Operations, Integrated Energy, AGL Loy Yang, added that the renewable hub being established in the Hunter Valley region of New South Wales (Liddell) will inform Loy Yang's future use:

repurposing that site and creating industry hubs on that site is our plan and vision, not just at Loy Yang. In four weeks' time the first unit at Liddell closes; 12 months later Liddell is closed. We are planning energy hubs in the Hunter. So we will learn a lot from that and how that may apply at Loy Yang. So that is our plan. You know, it is not about shutting down the sites, it is about repurposing the sites, our vision.<sup>77</sup>

As discussed in Chapter 2, the Victorian Government and AEMO, have designated six Renewable Energy Zones across the State. Necessarily, this leads to far more geographically decentralised energy generation than was experienced with the old coal-fired power stations. One of the Renewable Energy Zones is located in Gippsland.

The Committee acknowledges that re-purposing coal-fired power stations to renewable energy hubs would allow the continued use of the Latrobe Valley's existing transmission infrastructure. However, the Committee recognises there are limitations on the placement of renewable energy generators at these sites. For example, renewable energy generators must be placed where they will most efficiently generate energy, in

<sup>74</sup> Gippsland Climate Change Network, *Submission 8*, p. 2.

<sup>75</sup> Beyond Zero Emissions, *Submission 40*, p. 6.

<sup>76</sup> Christo van Niekerk, *Transcript of evidence*, p. 22.

<sup>77</sup> Steve Rieniets, Group General Manager Operations, Integrated Energy, AGL Loy Yang, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 25.

areas of high, stable wind or high solar radiation. The former coal-fired power station sites may not have these qualities. A lack of suitability for renewable generators at former power station sites would not preclude the construction of utility scale batteries or hydrogen processing facilities at these sites.

### 6.6.5 Key findings regarding utility scale energy projects in the Latrobe Valley

The Committee received evidence on the forecasted number of job opportunities that the three utility scale renewable energy projects will provide, based on economic modelling undertaken by the projects themselves. Consistently, projections show the highest number of jobs will be during the projects' construction phases. Each of these projects will take several years to construct and are therefore important sources of employment that will, during that period, compensate for job losses from the closure of Hazelwood and, in particular, Yallourn. However, it is important for the Victorian Government and the Latrobe Valley community to understand that the number of jobs available on an ongoing, full-time, skill-for-skill basis will not be a direct replacement for the jobs lost due to the closure of the Valley's mines and power stations.

Table 6.2 below outlines evidence provided to the Committee on projected jobs and economic benefits of each project.

**Table 6.2 Projected jobs and economic benefits of Marinus Link, Star of the South and Hydrogen Energy Supply Chain**

Project		Projected jobs		Economic benefit
		Total	Ongoing	
Marinus Link		1,400	95	\$1.5 billion in economic stimulus
Star of the South		2,000	200	\$8.7 billion across Victoria, including \$6.4 billion directly to Gippsland
Hydrogen Energy Supply Chain	Stage 1: Pilot (currently underway)	400 <sup>a</sup>	TBA <sup>b</sup>	Current investment of \$500 million in the project by consortium partners, including \$50 million each from Federal and Victorian government
	Stage 2: Commercial	1,000	TBA <sup>b</sup>	Export and investment income not yet quantified

a. jobs have already been created through HESC pilot stage project

b. to be advised as commercial stage of HESC Project is contingent on the success of the pilot stage.

Sources: Bess Clark, Chief Executive Officer, Marinus Link Pty Ltd, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 38; Benjamin White, Executive Director of Stakeholder, Land and Environment, Marinus Link, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 42; Star of the South, *Submission 49*, p. 4; Kawasaki Heavy Industries, *Submission 29*, p. 2; Jeremy Stone, Non-Executive Director, J-Power, public hearing, Melbourne, 2 March 2022, *Transcript of evidence*, p. 23.

**FINDING 16:** New utility scale renewable energy projects across the Latrobe Valley and wider Gippsland region will provide a significant number of jobs in construction. Timeframes for construction range from five to ten years, which will offset some job losses from the closure of the region's mines and power stations for a fixed period.

The Committee heard about the ways in which the Victorian Government is leading on large renewable energy projects. As mentioned above, this is particularly important during a time of high demand across the world for renewable energy. For example, the Committee heard that the only ships capable of transporting wind turbines are booked until 2026.<sup>78</sup> The Committee also notes the Commonwealth's relative absence in this area, including the need to coordinate a national transition to renewable energy. The work undertaken by the Victorian Government in the Latrobe Valley and wider Gippsland region ranges from collaborating and consulting with project leaders to providing funding and policy direction.

**FINDING 17:** Global demand for renewable energy is causing high competition for project resources. Government support in helping projects meeting regulatory approval, along with firm policy direction and funding support, helps jurisdictions attract these projects.

## 6.7 Alternative uses for brown coal and ideas for rehabilitated mines

As stated in Chapter 5, the Victorian Government is not opposed to alternative uses of brown coal aside from coal-fired power. This section discusses some of these uses and addresses the issue of mine rehabilitation, including the possibility of keeping them open, at least in part.

### 6.7.1 Chemical and industrial uses of Latrobe Valley brown coal

The Committee heard about the attributes of Latrobe Valley brown coal that make it a valuable resource for uses other than generating electricity. For example, ACI said that unlike black coal in other parts of the world, brown coal in the Latrobe Valley does not contain methane, a greenhouse gas that is released during mining.<sup>79</sup> The coal also has a low sulfur and ash content, which is a big advantage for chemical and industrial uses.<sup>80</sup>

ACI argued that it is possible to make use of the brown coal and still meet the Victorian Government's climate aims. However, industry needs a clear policy from the Government. ACI Chairman Gerry Morvell said:

This is a difficult area, but ... this is the area where we need the political will. We need government to say, 'Well, okay, you could use this, but here's the rule: no emissions, and that sets a very clear agenda for industry which I think industry could achieve.'<sup>81</sup>

<sup>78</sup> Erin Coldham, *Transcript of evidence*, p. 50.

<sup>79</sup> Australian Carbon Innovation, *Submission 17*, p. 1.

<sup>80</sup> Australian Carbon Innovation, *Submission 17, Attachment 7*, p. 1.

<sup>81</sup> Gerry Morvell, Chairman, Australian Carbon Innovation, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 30.

Potential chemical and industrial uses for Latrobe Valley brown coal include:

- fertiliser
- carbon fibre
- graphene for the electronics sector
- activated carbon, used in the food and health industries and for filtration to clean water and sewage.<sup>82</sup>

ACI identified this potential several years ago in 2016 when it discussed technology that:

could be used to transform brown coal into a wide range of valuable products, including industrial chemicals (e.g. hydrogen, ammonia, methanol, dimethyl ether, ethylene glycol) which can be transformed into higher value products such as fertilisers, clean fuels, plastics, carbon fibres and graphene. Such products are in high international demand, and have the potential to transform Victoria's huge carbon reserves into a thriving export economy.<sup>83</sup>

These possible benefits for the Latrobe Valley and wider Victorian economy, including value adding opportunities, were also identified by John Cameron, a Gippsland forestry and business consultant. In his submission, Mr Cameron said:

We have a huge and valuable lignite resource and more needs to be done to find cost-effective and ecologically sustainable ways of using it in the Latrobe Valley ...

The key is to convert the 33 billion tonnes of recoverable lignite representing 6 billion tonnes of low cost clean carbon into high value products. It is a unique local resource not exposed to global commodity trading. Value adding must be done locally as it is not economic to ship the raw product. This means high value, skilled, highly paid, interesting, hi-tech jobs in the region and state.<sup>84</sup>

ACI provided the Committee with two examples of current projects it is involved with that may result in new industries developing in Victoria: activated carbon, and carbon fibre (currently all carbon fibre in Australia is imported).<sup>85</sup> It recommended the Victorian Government provide seed funding for:

promising technologies that are able to demonstrate a commercial potential and the capacity to provide significant skilled and high paid jobs. These are likely to be in the advanced manufacturing and chemical conversion sectors where an inexpensive, plentiful and clean resource is a major advantage for the region.<sup>86</sup>

<sup>82</sup> Australian Carbon Innovation, *Submission 17*, p. 2. For further information, including detailed descriptions of these industries and products, please refer to: Australian Carbon Innovation, *Submission 17, Attachment 2*; Australian Carbon Innovation, *Submission 17, Attachment 3*.

<sup>83</sup> Australian Carbon Innovation, *Submission 17, Attachment 7*, p. 11.

<sup>84</sup> John Cameron, *Submission 58, Attachment 2*, pp. 2, 7-8.

<sup>85</sup> Brian Davey, Chief Executive Officer, Australian Carbon Innovation, public hearing, Melbourne, 16 February 2022, *Transcript of evidence*, p. 32.

<sup>86</sup> Australian Carbon Innovation, *Submission 17*, p. 4.

Mr Morvell suggested the funding should be around \$4 million per year.<sup>87</sup>

ACI also provided the Committee with an estimate of the employment and economic potential of carbon-based products and technologies. These are compiled in Table 6.3.

**Table 6.3** Estimates of the economic and employment potential of Latrobe Valley brown coal

Product	Growth Potential (Compound Annual Growth—CAGR) where known (%)	Direct Operational Jobs (not construction) <sup>a</sup>	Comment
Carbon fibre	10.6	500	There is no carbon fibre manufacturing capability in Australia at commercial scale. Using brown coal cost of manufacture will drop significantly.
Activated carbon	9.6	100	Brown coal and biomass produce a low ash activated carbon very suitable for the water and chemical clean up market.
Fertiliser Production Urea and blended fertilisers	2.7	500	Whilst CAGR is lower this is a sovereign manufacturing opportunity to reduce reliance on China.
Fulvic and Humic Acids	7.0	200	Export market with high growth opportunity for coal derived product.
Char	Unknown	100	Reductant product for silicone, steel, mineral sands. Soil remediation and upgrading.
CO <sub>2</sub>	6	1,000	Utilisation of CO <sub>2</sub> in greenhouses as a plant growth stimulant.
Diesel	5.5	1,000	Sovereign manufacturing opportunity to reduce reliance on extended supply chains.
Hydrogen	12	500	Fuel of the future. Note that a coal to hydrogen industry would enhance a renewable hydrogen industry in the Latrobe region.

a. These estimates do not include job multipliers.

Note: ACI added the caveat: 'All estimates are scale dependent and based on published and unpublished data. Market size and the economics will determine the ultimate job potential, not the size of the raw material resource.'

Source: Australian Carbon Innovation, the Closure of Hazelwood and Yallourn Power Stations hearing, response to questions on notice received 2 March 2022.

Table 6.3 does not include newer products such as carbon quantum dots, graphene oxide and metallurgical electrodes. ACI's submission refers to work done in the United States by the National Energy Technology Laboratory, part of the Department of Energy's national laboratory system, on using coal to manufacture advanced carbon materials.<sup>88</sup>

<sup>87</sup> Gerry Morvell, *Transcript of evidence*, p. 31.

<sup>88</sup> Australian Carbon Innovation, *Submission 17, Attachment 4*.

**FINDING 18:** Brown coal has a range of applications beyond coking and power production. It is readily accessible and present in large volumes across the Latrobe Valley region.

## 6.7.2 Mine rehabilitation

One of the outcomes of the Hazelwood Mine Fire Inquiry was the release in 2020 of the Latrobe Valley Regional Rehabilitation Strategy (LVRRS) by DJPR. The LVRRS is a blueprint for rehabilitation of the Latrobe Valley's brown coal mines that envisions the mines and nearby land being 'transformed to safe, stable and sustainable landforms which support the next land use'.<sup>89</sup> In the Foreword to the LVRRS, the then Minister for Resources stated that the Strategy will be updated 'at least once every three years'.<sup>90</sup>

The LVRRS is overseen by the Mine Land Rehabilitation Authority (MLRA), an independent body established on 30 June 2020 under amendments to the *Mineral Resources (Sustainable Development) Act 1990*. The MLRA replaced the Latrobe Valley Mine Rehabilitation Commissioner, who had been monitoring mine rehabilitation since June 2017.

The Strategy is guided by eight 'implementation principles':

- fire risk of rehabilitated land should be no greater than that of the surrounding environment
- Traditional Owner involvement in rehabilitation planning should be developed in consultation with Gunaikurnai Land and Waters Aboriginal Corporation
- requirements for ongoing management to sustain a safe and stable landform should be minimised as far as practicable
- community should be consulted on rehabilitation proposals, the potential impacts, and have the opportunity to express their views
- mine rehabilitation should plan for a drying climate. Rehabilitation activities and final landforms should be climate resilient
- mine rehabilitation and regional land use planning should be integrated, and the rehabilitated sites should be suitable for their intended uses
- any water used for mine rehabilitation should not have a negative impact on Traditional Owners' values, environmental values of the Latrobe River system or the rights of other existing water users
- ground instability and ground movement risks and impacts during rehabilitation and in the long-term should be minimised as far as practicable.<sup>91</sup>

<sup>89</sup> Department of Jobs, Precincts and Regions, *Latrobe Valley Regional Rehabilitation Strategy*, Melbourne, 2020, p. 8.

<sup>90</sup> *Ibid.*, p. 3.

<sup>91</sup> *Ibid.*, p. 8.

Engie released its *Hazelwood Concept Master Plan* in June 2019, outlining its vision for the rehabilitated mine. Jamie Lowe, Head of Regulation at Engie, said the document was informed by rehabilitation projects overseas, he noted in particular the importance of involving the community in decisions. He said:

we learned from places like Germany, where people knew a long time in advance that this road would be moved, this house would be moved, a town may be adjusted, the boundary would be, and filling of the particular mine there would take, you know, 10 or 15 or 20 years. That is the sort of discussion we think the community likes.<sup>92</sup>

In a submission to this Inquiry, Great Latrobe Park Group said:

There is a very strong view within the LV [Latrobe Valley] community that the goals of “visually attractive” and “economically valuable” should be added to the Government’s present goals of “safe”, “stable” and “sustainable” ... The Great Latrobe Park Group envisage that the LV’s massive mine voids will be repurposed so that they become key elements of an internationally significant multipurpose environment catering for an exciting diverse range of sporting, cultural, educational, conservation and recreational activities.<sup>93</sup>

Engie’s ‘vision’ for Hazelwood is that will be ‘a new era of energy, agricultural production, recreation and tourism for the Latrobe Valley’.<sup>94</sup> At this stage the most likely way of achieving this vision is to fill the mine with water to create a lake. This both stabilises the mines and removes the risk of fire. Engie has committed to a ‘full lake scenario’ and estimated that it would take up to 24 years to fill the mine.<sup>95</sup>

Current MLRA Chair Rae Mackay said that filling the mine would be a ‘multidecadal transition’.<sup>96</sup> Mr Mackay explained that the long time period is because of the challenge of accessing water in the region. He told the Committee:

The reason they are significantly long periods of time is because we do not have that much water in the Latrobe Valley ... Sustainability becomes an interesting question, because if you have to keep adding water to maintain the water level in a pit, then of course you have to have a source of water to be able to do that.<sup>97</sup>

Mr Mackay added that plans will need to be flexible, as climate change makes future rainfall levels unpredictable:

If we look at water security in this area, we could find ourselves very short of water very quickly if the drier end of the climate scenarios actually comes to fruition. Of course, we could see ourselves go the other way and actually become wetter. We are in a very uncertain and unsure environment at the present time.<sup>98</sup>

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92 Jamie Lowe, Head of Regulation, Engie, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 20.

93 The Great Latrobe Park Inc Group, *Submission 9*, pp. 6–7.

94 Engie, *Submission 30, Attachment 1*, p. 11.

95 *Ibid.*, p. 63.

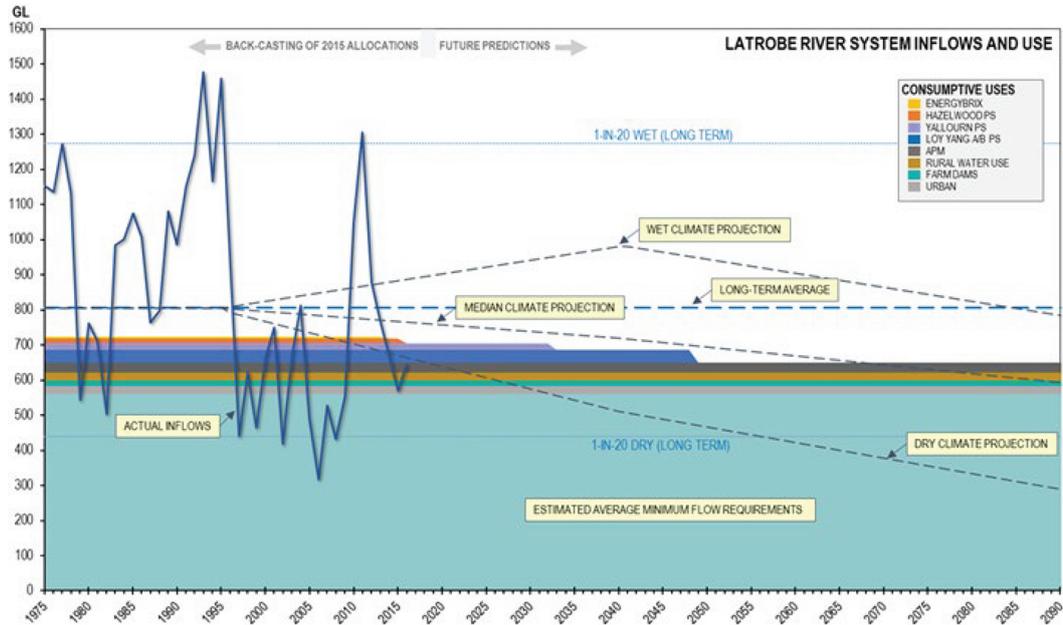
96 Rae Mackay, Chair of the Board, Mine Land Rehabilitation Authority, public hearing, Melbourne, 16 March 2022, *Transcript of evidence*, p. 20.

97 *Ibid.*, p. 21.

98 *Ibid.*

Figure 6.3 shows a projection of water flows in the Latrobe River up to 2090 presented by Mr Mackay.

**Figure 6.3** Projections of Latrobe River system inflows and use



Source: Mine Rehabilitation Authority, presentation to the Committee, public hearing on 16 March 2022, p. 7.

At a public hearing, Engie’s CEO, Augustin Honorat, told the Committee that Engie is taking water allocations into consideration as part of the company’s plans for Hazelwood’s rehabilitation, saying:

we recognise water is an important resource and critically important for irrigation, agriculture, environmental health and other needs in the region. Therefore, our approach to water has been to recognise and avoid impacting the entitlements of existing users, of other users, ensure water is available for new economic development in the region and slow or pause filling in periods of drought or water scarcity.<sup>99</sup>

Options for accessing water include:

- continued pumping of the current aquifer
- contracted water sources
- rediverting Eel Hole Creek
- using water from the drained cooling pond.<sup>100</sup>

Regarding Yallourn, Lisa Gooding, Yallourn Transition Leader at EnergyAustralia, said the company will soon begin community consultation about the site. She told

<sup>99</sup> Augustin Honorat, Chief Executive Officer, Engie, public hearing, 3 March 2022, *Transcript of evidence*, pp. 12–13.

<sup>100</sup> Engie, *Submission 30, Attachment 1*, p. 38.

the Committee that Yallourn is different to Hazelwood, which may allow for a faster rehabilitation:

there is a lot of uniqueness to the Yallourn mine that people may not appreciate relative to the other mines. It is far shallower, and it has had the overburden pushed in after the mining, and there has been rehabilitation there for decades. You know, the guys down at the mine have already started building the shorelines and planting the trees for picnic areas. It will be a far more accessible mine in terms of if there is a lake put in over time that the community could access into the future. So this is part of the conversation that we will begin this year with the community about what the future use of Yallourn could be.<sup>101</sup>

**FINDING 19:** Rehabilitation of the Hazelwood and Yallourn open cut mines is subject to stringent regulation that considers a range of factors, including the safe, stable and sustainable management of the mines over time. There are a range of options for rehabilitation, the costs and impact of which continue to be worked through between authority holders and agencies such as the Mine Land Rehabilitation Authority, which oversees the Latrobe Valley Regional Rehabilitation Strategy.

Mr Mackay added that the Victorian Government should develop a policy in relation to the residual risks associated with the mines and put in place insurance arrangements in relation to those risks. He told the Committee:

Other states have developed policies in relation to residual risks, and they have mechanisms for financing or at least insuring against unacceptable residual risks. Victoria needs to go that way. It needs to actually work on a residual risk policy, it needs to work on understanding what those risks are and it needs to be able to communicate them effectively to the community so the community understand what they are going to receive.<sup>102</sup>

Mr Mackay gave Queensland as an example of a jurisdiction with a good policy on residual risks.<sup>103</sup>

**RECOMMENDATION 10:** That the Victorian Government develop a residual risks policy for the mines at Hazelwood and Yallourn. The policy should address risks associated with ground instability and fire.

**RATIONALE:** Unused coal mines present risks such unstable ground and the potential for uncovered coal to catch fire. A policy would allow the Victorian Government to focus on identifying and addressing these risks.

<sup>101</sup> Lisa Gooding, Yallourn Transition Leader, EnergyAustralia, public hearing, Traralgon, 3 March 2022, *Transcript of evidence*, p. 6.

<sup>102</sup> Mackay, *Transcript of evidence*, p. 24.

<sup>103</sup> Queensland Government - Department of Environment and Science, *Mining rehabilitation reforms*, 2020, <<https://environment.des.qld.gov.au/management/policy-regulation/mining-rehab-reforms>> accessed 26 April 2022.

The Committee also understands that rehabilitation of the mines is affected by Planning Schemes. For example, the majority of Hazelwood sits under Latrobe City's Special Use Zone – Schedule 1 Brown Coal. The Committee advises that it did not address zoning in this Inquiry.

### 6.7.3 Should brown coal mines remain open?

Section 6.7.2 discussed rehabilitation of the Hazelwood and Yallourn mines. That discussion is predicated on the mines not being used for new industries. However, there is also the possibility of allowing new industries to keep using the mines, including Loy Yang once power generation activities finish.

The Committee for Gippsland discussed alternative uses for coal in a 2016 report. It found that mines in the Latrobe Valley 'are amongst the lowest cost operating coal mines in the world ...These mines can provide economic and beneficial social outcomes beyond electricity generation.'<sup>104</sup>

This issue is a matter of some urgency. Existing mines cannot be left untouched while Victoria determines exactly how it plans to use brown coal in the Latrobe Valley. Mining has created instability in the ground and open mines are also a fire risk. As discussed in Chapter 2, fire is still very fresh in the minds of the Latrobe Valley community.

Mr Mackay told the Committee that consultation with the local community identified support for using brown coal as a resource and that the Victorian Government should decide its policy as soon as possible. Mr Mackay said that the community:

do not want to close out the opportunity for future coal development, and of significant concern in rehabilitation was that that might happen. It should not happen, but they are concerned that future coal development is something that they would like to see there. They also want to see all of this happen really quite quickly.<sup>105</sup>

ACI suggested that new industries would be unlikely to use the mines to the same extent as the power sector. However, any continued use of the mines would both reduce the cost of rehabilitation and create revenue that could contribute to the work. Mr Morvell told the Committee:

having industries come along in parallel at the same time as the power stations are closing, the government has the opportunity to generate necessary revenue to meet some of those costs associated with remediation. The other thing about all of the new industries ... is most of them would not require the same size mining operation as currently we do for power generation, so there is an opportunity to move to the remediation process in parallel with closing down those mines and new industries starting up.<sup>106</sup>

<sup>104</sup> Committee for Gippsland, *Our region, our future: securing an economic future for Gippsland and the Latrobe Valley*, Committee for Gippsland, Morwell, 2016, p. 65.

<sup>105</sup> Mackay, *Transcript of evidence*, p. 20.

<sup>106</sup> Gerry Morvell, *Transcript of evidence*, p. 29.

Should the Victorian Government commit to using brown coal for new industries, it would be better to use existing mines if possible. This would both reduce the cost of remediation and prevent the huge waste of having to open new mines in the future.

As Mr Mackay said:

I do not think it is going to be appropriate to fill a mine with water and then go, ‘Oh gosh, we’d like to continue to mine in that existing mine’, and then empty that mine out. I think that would be a complex and time-consuming and genuinely unproductive way of actually continuing coal usage in the Latrobe Valley.<sup>107</sup>

Mr Mackay also added that, in his view, opening new mines in the future would be ‘feasible’. This would offer the advantage of being able to build in more modern rehabilitation methods to the mines’ design.<sup>108</sup>

As found in Chapter 5, the Victorian Government is not opposed to using brown coal in ways other than generating electricity. However, there is evidence of ‘mixed messages’ being sent to the market by separate parts of the Government. Mr Morvell observed a problem with the ‘translation of the policy’ into action, saying:

If the Government’s policy settings are favourable, then there is a bit of disconnect between the Government and those who are making the decisions that I think might be worth you having a look at, because that is what we see.<sup>109</sup>

In a similar vein, the Hazelwood Concept Master Plan (produced by Engie, not the Victorian Government), speaks of a ‘post-coal future’.<sup>110</sup> While the Committee understands that the term post-coal should be read in terms of an energy source, it could also be read as stating that Latrobe Valley brown coal will never again be used a resource for any industry. (The Committee notes that DJPR uses the term ‘post-carbon’ in its submission.)<sup>111</sup>

Mr Mackay, told the Committee that rehabilitation is a joint responsibility between the:

- mine owners: responsible for finance, planning and construction
- Victorian Government: responsible for policy and regulation
- Latrobe Valley community: responsible for expectations regarding the outcomes.<sup>112</sup>

Mr Mackay added: ‘We need to come up with a clear understanding about what is acceptable.’<sup>113</sup>

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<sup>107</sup> Mackay, *Transcript of evidence*, pp. 24–25.

<sup>108</sup> *Ibid.*, p. 24.

<sup>109</sup> *Ibid.*, p. 35.

<sup>110</sup> Engie, *Submission 30, Attachment 1*.

<sup>111</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 8.

<sup>112</sup> Mackay, *Transcript of evidence*, p. 20.

<sup>113</sup> *Ibid.*, p. 24.

The Victorian Government's Earth Resources webpage contains a list of alternative uses for brown coal. The 'coal statement' commits to: 'Using our brown coal resources in a manner that maximises its long-term value for Victorians and is consistent with our economic, social and environmental priorities, while promoting jobs and investment.'<sup>114</sup>

**FINDING 20:** Stringent rehabilitation requirements must be met for the operator and authority holder to be satisfied that obligations have been met and future risks of fire and/or adverse environmental impact are managed. It may be viable, where these standards are able to be met or exceeded over time, for brown coal to be extracted from or near these brown coal open cut sites for purposes other than power generation.

## 6.8 Education and training for the jobs of the future

The Latrobe Valley is in the fortunate position of hosting both tertiary and vocational education institutions. Federation University has a large campus in Churchill and Gippsland TAFE is located in Morwell. The Committee heard that both organisations are working to provide education and training opportunities that align with Gippsland's future industries.

As discussed in Chapter 3, the worker transition service for Hazelwood worked closely with power station workers to determine their career aspirations and provide education and training for them to be appropriately skilled for their chosen industries. The Committee expects this model will be used again when Yallourn closes in 2028.

Mr Buckingham gave an example of the workforce needs that would come with the proposed investment in renewable energy in the Latrobe Valley. He told the Committee:

So in terms of how we navigate that transition and indeed is the workforce in the Latrobe Valley ready for \$30 billion worth of investment in onshore/offshore renewable energy and geothermal and the like? No, we have got work to do. And I think part of the work the LVA is doing right now is mapping out what jobs are going to be required and when and then indeed how we orientate the community towards a future that is very different to the one that we may well think we are facing right now.<sup>115</sup>

The Committee was told there is work underway to provide courses in new industries for the wider Latrobe Valley population, not just transitioning workers. The Committee spoke to Federation University and learnt how it is working closely with industry in the region to determine:

- what courses are needed to meet current skills gaps in the workforce
- the design of courses so they meet industry needs

<sup>114</sup> Department of Jobs, Precincts and Regions, Earth Resources, *Earth Resources: Alternate uses for brown coal*, 2021, <<https://earthresources.vic.gov.au/geology-exploration/coal/alternate-uses-for-brown-coal>> accessed 2 April 2022.

<sup>115</sup> Chris Buckingham, *Transcript of evidence*, p. 10.

- the changing nature of the Latrobe Valley's industrial and commercial sector and the education and skills needs of the future.<sup>116</sup>

Darren Brown, Senior Advisor, Government Relations at Federation University, explained how the University is working with industry partners to identify areas of workforce need and develop new courses in those areas:

We have launched new programs in direct response to what our industry partners are telling us they need. For example, we have a \$4.5 million new allied health and activity centre located at our campus in Churchill that now supports our three allied health programs, including occupational therapy, physiotherapy and speech pathology. These programs are in demand because local students recognise that during their degree they will also get practical work placements and on-the-job experience. Importantly students know that at the end of their degree they will have a career in an area of high demand in Gippsland. Federation launched an electrical engineering program late in 2021 in direct response to what our energy sector partners were asking for. We are also undertaking further work to launch new hybrid degrees in high-growth industry sectors like advanced manufacturing, renewables and agriculture for the 2023 academic year.<sup>117</sup>

The Committee heard that Federation University works closely with industry to design courses. Mr Brown gave an example of new Bachelor of Engineering Practice (Renewable Energy) due to begin in 2023.<sup>118</sup>

As well as consulting with industry on course provision and design, Carolyn Chong, Deputy Vice Chancellor (Global and Engagement), said the University is partnering with Gippsland TAFE and regional councils to define the region's skill needs.<sup>119</sup>

Part of the partnership with Gippsland TAFE involves delivering short courses to offer training and credentials faster than traditional undergraduate degrees. Professor Andrew O'Loughlin from Federation University's Business School explained:

So what we have done is we have looked at what [industries] need and their requirements and when they need them, and we are delivering with industry on short, soundbite courses that work for their benefit. So it is trying to rethink the traditional model in a way that makes sense to industry, because having a student who is locked away for three years and maybe comes out occasionally into industry and does an integrated process with a business is challenging, and businesses cannot afford to lose workers from the workplace at the moment, because there is a shortage. So we are looking at how education works in that workspace with them.<sup>120</sup>

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116 Darren Brown, Senior Adviser, Government Relations, Federation University, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 54.

117 Ibid.

118 Ibid., p. 58.

119 Carolyn Chong, Deputy Vice-Chancellor (Global and Engagement), Federation University, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 59.

120 Professor Andrew O'Loughlin, Professor, Management, Federation Business School, Federation University, public hearing, Traralgon, 2 March 2022, *Transcript of evidence*, p. 61.

Professor O'Loughlin gave an example of a short course relating to food and fibre:

I have been involved with particular short courses for the food industry. This was with Food and Fibre Gippsland, and we put together a whole package of training from basically the shop floor up to senior management. They were short courses, they were bite-sized courses that people could take and there was a certificate at the end of it to ensure completion. That was done in conjunction with TAFE, so we sat down and we worked through the various levels and the requirements. That involved not just management but it involved the scientific parts of the university as well, and it also involved some of the vocational elements from TAFE.<sup>121</sup>

To make sure that students are job-ready and their skills are aligned to industry needs, the Committee was told that 70% of courses would involve an industry learning component, including work placements, by 2023 and 100% by 2025.<sup>122</sup>

The Committee heard that the Victorian Government has also responded to calls for more investment in education from the Gippsland Regional Partnership, by providing funding for education infrastructure in the Latrobe Valley. This was outlined in the submission from DJPR, which stated:

The Gippsland RP [Regional Partnership] has advocated strongly for investment in human capital development and economic diversification projects in the region and the government has responded with:

- \$148 million to establish the Victorian Academy of Teaching and Leadership, dedicated to the professional learning and development of Victorian teachers, including regional learning centres located in Bairnsdale and Moe
- \$20 million to support the work of Technical Schools, including in Gippsland
- \$4.2 million over two years for the Regional Skills Demand Profiles initiative, which will see the Victorian Skills Authority establish Regional Skills Taskforces and develop and deliver Regional Skills Demand Profiles including Gippsland
- \$35.5 million to redevelop TAFE Gippsland Morwell, including a Future Skills Training Centre and a Technical Training Centre of Excellence.<sup>123</sup>

Such investments in education infrastructure are important in light of the significant structural changes that will come with the closure of the coal-fired power industry.

**FINDING 21:** The Latrobe Valley Authority, education and training providers, and industry are working in collaboration to anticipate the future skills needs of the Latrobe Valley and ensure opportunities are provided to the local workforce.

<sup>121</sup> Ibid.

<sup>122</sup> Darren Brown, *Transcript of evidence*, p. 54.

<sup>123</sup> Department of Jobs, Precincts and Regions, *Submission 62*, p. 12.

**Adopted by the Legislative Council Economy and Infrastructure Committee  
Parliament of Victoria, East Melbourne  
Thursday 19 May 2022**

# Appendix A

## About the Inquiry

### A.1 Submissions

1	Doug Steley	34	Barry Dungey
2	Name Withheld	35	Healthy Futures
3	Douglas Don	36	Latrobe Health Advocate
4	Name Withheld	37	Australian Deer Association
5	Latrobe City Council	38	Melbourne Climate Futures
6	Dorothy Long	39	Quantum Support Services
7	Amogh Ananth	40	Beyond Zero Emissions
8	Gippsland Climate Change Network	41	Hydraulic Pneumatic Pty Ltd
9	The Great Latrobe Park Inc Group	42	Destination Gippsland Ltd
10	CFMMEU Mining & Energy Div – Vic District	43	Gippsland Infrastructure
11	Sustainable Australia Party	44	Gippsland Circular Economy Precinct
12	Anthony Wasiukiewicz	45	Food and Fibre Gippsland Inc
13	Greg Hansford	46	Environment Victoria
14	Angela Pearson	47	Friends of the Earth
15	Gippsland Disability Advocacy	48	Youth for Conservation
16	Eddie Humphreys	49	Star of the South
17	Australian Carbon Innovation	50	Federation University
18	Advance Morwell Inc	51	Jane Oakley
19	Victorian Trades Hall Council	52	William McIntosh
20	Confidential	53	Gwen Brien
21	Asbestos Council Vic	54	Jeff Watson
22	TasNetworks	55	AGL
23	Jane Sultana	56	Committee for Gippsland
24	The Australia Institute	57	Gippsland Regional Executive Forum
25	EnergyAustralia	58	John Cameron
26	Ian Reid	59	The Next Economy
27	Dr Benjamin Lewis	60	Peter Gardiner
28	Gippsland Trades and Labour Council Inc	61	Friends of Latrobe Water
29	Kawasaki Heavy Industries	62	Department of Jobs, Precincts and Regions
30	ENGIE Hazelwood	63	Russell Northe MLA
31	Latrobe Valley Sustainability Group		
32	Environmental Justice Victoria		
33	Voices of the Valley		

## A.2 Public hearings

### Wednesday, 24 November 2021

Grand Promenade, Century Inn, 5 Airfield Rd, Traralgon VIC 3844

Name	Title	Organisation
Steven Piasente	Chief Executive Officer	Latrobe City Council
Wendy Farmer	President	Voices of the Valley
Marianne Robinson	Secretary	Voices of the Valley
Nina Burke	President	Great Latrobe Park Group
David Langmore	Vice President	Great Latrobe Park Group
Dan Caffrey	President	Latrobe Valley Sustainability Group
Lorraine Bull	-	Latrobe Valley Sustainability Group
Geoff Dyke	Victorian District Secretary	CFMMEU Mining and Energy Division
Mark Richards	Victorian District Vice President	CFMMEU Mining and Energy Division
Barry Dungey	-	-

### Wednesday, 16 February 2022

via videoconference

Name	Title	Organisation
Dr Colin Long	Just Transitions Organiser	Victorian Trades Hall Council
Danae Bosler	Chief of Staff	Victorian Trades Hall Council
Amogh Ananth	-	-
Anthony Wasiukiewicz	-	-
Brian Davey	Chief Executive Officer	Australian Carbon Innovation
Gerry Morvell	Chair	Australian Carbon Innovation
Bess Clark	Chief Executive Officer	Marinus Link
Benjamin White	Executive Director of Stakeholder, Land and Environment	Marinus Link
Tom Quinn	Head of Policy and Research	Beyond Zero Emissions

## Wednesday, 2 March 2022

Grand Promenade, Century Inn, 5 Airfield Rd, Traralgon VIC 3844

Name	Title	Organisation
Chris Buckingham	Chief Executive Officer	Latrobe Valley Authority
Sarah Rhodes-Ward	Regional Director, Gippsland	Regional Development Victoria Gippsland
Steve Dodd	Secretary	Gippsland Trades and Labour Council
Jeremy Stone	Non-Executive Director	J-Power
Jane Sultana	-	-
Tony Cantwell	Chief Executive Officer	Committee for Gippsland
Erin Coldham	Chief Development Officer	Star of the South
Carolyn Chong	Deputy Vice-Chancellor (Global and Engagement)	Federation University
Professor Thomas Baumgartl	Director - Future Regions Research Centre	Federation University
Professor Andrew O'Loughlin	Professor, Management, Federation Business School	Federation University
Darren Brown	Senior Adviser, Government Relations	Federation University

## Thursday, 3 March 2022

Grand Promenade, Century Inn, 5 Airfield Rd, Traralgon VIC 3844

Name	Title	Organisation
Liz Westcott	Chief Operating Officer	EnergyAustralia
Lisa Gooding	Yallourn Transition Leader	EnergyAustralia
Augustin Honorat	Chief Executive Officer	Engie
Jamie Lowe	Head of Regulation	Engie
Christo van Niekerk	General Manager	AGL Loy Yang
Steve Rieniets	Group General Manager Operations, Integrated Energy	AGL Loy Yang

**Wednesday, 16 March 2022**

via videoconference

<b>Name</b>	<b>Title</b>	<b>Organisation</b>
Peter Montgomery	Managing Director	Hydraulic and Pneumatic Pty Ltd
Scott McArdle	CEO and Executive Director	Gippsland Circular Economy Precinct
Beth Jones	Chief Executive Officer, Regional Development Victoria; and Deputy Secretary of Rural and Regional Victoria	Department of Jobs, Precincts and Regions
Jane Burton	Executive Director, Earth Resources Policy and Programs, Forestry, Resources and Climate Change	Department of Jobs, Precincts and Regions
Anthony Hurst	Executive Director, Earth Resources Regulation	Department of Jobs, Precincts and Regions
Rae Mackay	Chair of the Board	Mine Land Rehabilitation Authority
Nicole Pero	Chief Executive Officer	Food and Fibre Gippsland

Appendix B  
**Latrobe Valley Support Package  
policy and program initiatives  
and outcomes November 2016 –  
June 2021**



## 4 Appendices

### 4.1 Latrobe Valley Support Package policy and program initiatives and outcomes November 2016 – June 2021

Policies and programs	Outputs and outcomes
Worker Transition Service	Assisted 736 workers impacted by the closure of Hazelwood and 190 by the closure of Carter Holt Harvey sawmill to find employment. Focussed on providing holistic support to people (and their family members) impacted by industry closures. Support to transition into new jobs, access to training, personal and financial counselling or to move into
Worker Transfer Scheme	90 former Hazelwood workers have been employed at other power generators in the Latrobe Valley because of early retirements funded by the Scheme.
Business Support Service	2100 early-stage businesses receiving tailored information and advice from a team of LVA funded Concierges across Gippsland's six local councils.  419 Business Industry Capability Grants totalling \$3.4 million have assisted capability building activities including business plans for future growth, upgraded equipment and infrastructure for expansion and increased digital presence or e-commerce capability.
Smart Specialisation (S3)	Builds on existing regional initiatives and involves over 200 people from across government, business, research and education, and the wider local community to identify and develop local strengths, opportunities and genuine competitive advantages. Focusing on four key identified sectors for future growth – food and fibre, new energy, health and wellbeing, and tourism.
Latrobe Valley Back to Work Scheme (Delivered through State Revenue Office)	Funding per worker for businesses who employ and train unemployed people who live in the Latrobe Valley, supporting 1,218 full-time roles, and 280 part-time roles.
Community and Facility Fund	Support for community infrastructure upgrade projects and events, improving liveability, pride and local connection, capability to deliver inclusive participation opportunities to more people as well as job creation through use of local contractors. 232 grants approved through the Fund for a total of over \$22 million.
Latrobe Valley Sports and Community Initiative	\$85 million investment to deliver a broad range of improved social outcomes, investments in community and sporting infrastructure, boosting the Latrobe Valley region.  7 major infrastructure projects (Gippsland Regional Aquatic Centre, Gippsland Regional Indoor Sports Stadium Latrobe City Sports and Entertainment Stadium, Traralgon Tennis Centre, Sale Tennis Centre, Morwell Recreation Reserve, Ted Summerton Reserve), 17 smaller infrastructure projects across 9 recreation reserves and 30 major events delivered in partnership with 9 premier sporting organisations.  Approximately 500 jobs across the region have resulted from LVSCI infrastructure projects.  42,000+ people participate in 14 major events which generated \$7.4 million economic impact to the local economy. 29% of those attending noted increased pride in the region.  All major sporting partners have delivered a range of community activities, including coach development, workshops, club workshops, clinics and school visits, inclusive and diversity initiatives and community camps and visits.

Policies and programs	Outputs and outcomes
	Developed a Latrobe Valley Events Precinct online resource to encourage usage of Latrobe Valley facilities for major events.
Economic Growth Zone Reimbursements Scheme	Reimbursement of state and local government fees and charges related to the establishment or expansion of a business in the region. Aiming to support local businesses to grow and attract new businesses to set up in the region. 374 business projects (including 37 businesses new to the Latrobe Valley) reimbursed more than \$16.5 million supporting 1,156 jobs to date.
Broadening Horizons Program	Schools and industry working together, real world learning experiences that build students' enterprise skills and aspiration, preparing the workforce of the future.  A total of 21 schools and 1405 students participating in the Program.
Growing Regional Opportunities for Work in Gippsland (GROW Gippsland)	Increasing local procurement by providing support for buyers, contractors and local suppliers in the region to secure work as part of small and large projects to build a stronger local economy.  111 businesses formally committing to increasing spend with local business, and to offering job opportunities to job seekers in places where there are high rates of joblessness.
Access New Industries Program	Linking local people with jobs in Gippsland's growth industries through tailored courses in patient transport, solar installation, health, disability services, transport and construction.  250 people completed 'taster' courses in growth sectors through the Program, with 16 training and introductory courses delivered in partnership with local industry and education providers.
Micro-credentialing of Enterprise Skills Program	Utilising the specific expertise of the Assessment Research Centre at University of Melbourne, a partnership between local industry and education providers has collaboratively designed and developed a process and online system that assesses and recognises enterprise skills.  The enterprise skills that have been developed and trialled are those that have been identified as most important to Gippsland employers: communication, collaboration and problem solving.  Over 150 individuals received Enterprise Skills Certificates and 20 people received Marker/Assessor Certificates as part of the Program.
Ladder Step Up Latrobe Valley Program	Supporting young people to build confidence, develop community connections, and test and assess a range of education, employment and training options.  160 young people supported to engage with education, employment and training options, with 59 employed post program completion.
Supply Chain Transition Program (Delivered by RDV)	Assisting companies affected by the closure of Hazelwood Power Station and Mine, and Carter Holt Harvey sawmill, to create and implement a business transition plan.  57 plans completed, 52 companies executing their plan; 34 companies fully completed their plan; seven awarded additional Economic Facilitation Fund grants, leveraging \$5.6 million additional capital expenditure and creating 87 jobs.
Latrobe Valley Home Energy Upgrade Program (Delivered by Sustainability Victoria)	Supported 1000 Latrobe Valley households to reduce energy costs and/or improve the thermal comfort of their home.  Led to 2706 products installed across the 1000 homes, with many homes receiving the benefit of a heating upgrade (split system) and an improvement to the home's thermal shell (insulation).
Good Money outlet (Delivered by Good Shepherd Microfinance through DHHS)	Offering no cost and low-cost financial services, counselling and advice to Latrobe valley residents. Total of 1062 no interest loans and 274 low interest loans provided.
New Energy Jobs and Investment Prospectus	Outlined opportunities to capitalise on the region's extensive new energy technology opportunities and to support new energy transition.  Nine grants awarded to seven local businesses to develop new energy technologies, invest in new energy equipment/infrastructure and develop new skills.

Policies and programs	Outputs and outcomes
Internationalising education	Four secondary schools registered for international student programs to develop their capacity to host international students and increase their students' understanding and experience of global cultures.
Gippsland Hi Tech Precinct (in partnership with RDV, Latrobe City Council, Federation University and Federation Training)	Co-location of TAFE Gippsland, Gippsland Tech School, Latrobe City's Kernot Hall, along with construction of a new Morwell Innovation Centre for research, business incubation, new product development, start up support, and education and training built and operated by Federation University. Construction completed in 2020.
Latrobe GovHub (In partnership with RDV)	Construction complete and building open for business, providing a base for 300 workers, including 200 new public sector jobs for the Latrobe Valley. Local businesses delivered 82% of the project.
Gippsland Jobs Hub and volunteering website	Community resource for small to medium enterprises to advertise local vacancies. Led by all three Local Learning and Employment Networks in Gippsland. Hub and website established.
Latrobe Youth Space (YMCA as part of a consortium of 11 local organisations, with support from DHHS)	A youth-led, adult-guided initiative providing a safe and inclusive space and empowering young people in the Latrobe Valley. 59 programs and events delivered. 7204 participants (aged 12-25).
School upgrades (Department of Education and Training)	\$5 million for upgraded school facilities and classrooms at Boolarra Primary School, Churchill Primary School, Kurnai College, Lowanna College, Trafalgar High School, Traralgon (Liddiard Road) Primary School, Traralgon College, Tyers Primary School and Yinnar South Primary School.
Health and community services workforce	<p>As the largest sector of employment in Gippsland, the LVA commissioned the Gippsland's Future Health and Community Services Workforce report to identify future workforce needs of the industry in the region.</p> <p>A key recommendation has identified need for further allied health tertiary courses in Gippsland so that local students don't have to travel, and talent is retained in the region. The Victorian Government has supported Federation University to establish new allied health courses at Churchill campus which now include Physiotherapy, Exercise Physiology, Occupational Therapy and Speech Therapy with training programs utilising Wellness Centre at Gippsland Regional Aquatic Centre.</p>
Planning improvements	With support from the Department of Environment, Land, Water and Planning, Latrobe City, Baw Baw and Wellington shires streamlined their planning processes to make it easier and quicker for people to develop land and establish and grow businesses.

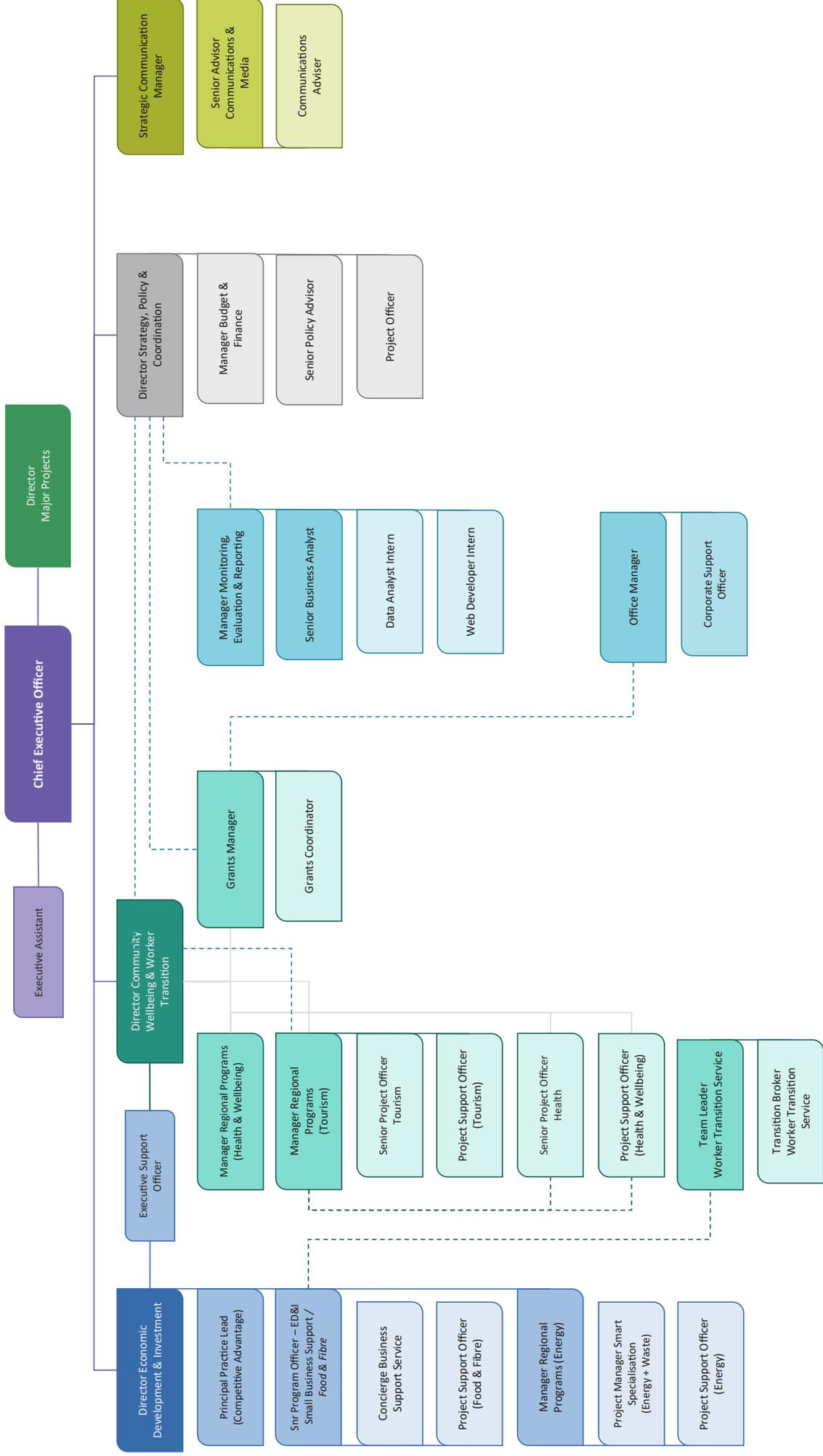
Source: Department of Jobs, Precincts and Regions, *Submission 62*, pp. 21-23.



Appendix C  
**Latrobe Valley Authority  
organisation structure**

C







# Extracts of proceedings

Legislative Council Standing Order 23.27(5) requires the Committee to include in its report all divisions on a question relating to the adoption of the draft report.

All Members have a deliberative vote. In the event of an equality of votes, the Chair also has a casting vote.

The Committee divided on the following questions during consideration of this report. Questions agreed to without division are not recorded in these extracts.

## Committee Meeting—19 May 2022

Ms Bath moved, That in Finding 1 omit:

It has driven prosperity and growth across the state of Victoria and more broadly the national electricity grid.

And insert:

It, along with the Maryvale paper mill and associated forest industry has driven prosperity and growth across the state of Victoria and more broadly nationally.

### The Committee divided.

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

### Question negatived.

Ms Bath moved, That in Section 2.3.1 omit:

The Legislative Council’s Environment and Planning Committee’s *Inquiry into Renewable Energy in Victoria*, which tabled its report on 26 May 2022, heard that the Commonwealth Government has failed to coordinate a national approach to the transition to renewable energy. This prompted State Governments, including the Victorian Government, to take their own measures in reaching emissions reduction and renewable energy targets.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 2.3.1 insert:

**Commonwealth Legislation**

To facilitate the regulation and oversight of new offshore wind technologies and infrastructure, the Commonwealth Government implemented the Offshore Electricity Infrastructure Act 2021, having attained Royal ascent on December 2, 2021, it will come into effect by June 2022.

The legislative framework enables the development of new energy projects while safeguarding the environment, securing the health and safety of workers and protecting other maritime stakeholders.

This legislation will accelerate a number of key projects already under development, including:

- Star of the South in Victoria
- Sun Cable’s project in northern Australia
- the Marinus Link transmission line, which will connect the mainland to Tasmania’s Battery of the Nation project.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 2.3.2 insert:

**Commonwealth Government Initiatives to transition to renewable energy**

The Australian Governments whole-of-economy Long-Term Emissions Reduction Plan (the Plan) sets out how Australia will achieve net zero emissions by 2050 based on five key principles:

- Technology not taxes – no new costs for households or businesses.
- Expand choices, not mandates – expand consumer choice.
- Drive down the cost of a range of new energy technologies – bringing a portfolio of technologies.
- Keep energy prices down with affordable and reliable power – secure Australia’s advantage in affordable and reliable energy, protect industry competitiveness and associated jobs.
- Be accountable for progress – set ambitious yet achievable whole-of-economy goals, then beat them, consistent with Australia’s approach to Paris Agreement targets.

The technologies include:

- Clean hydrogen.
- Ultra low-cost solar.
- Energy storage for firming.
- Low emissions steel.
- Low emissions aluminium
- Carbon capture and storage
- Soil carbon.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 3.4 omit:

No additional transition funding has been provided by the Commonwealth Government

And insert:

The Commonwealth Government’s transitional investments include

- \$48.2 million grant through the Modern Manufacturing Initiative (MMI) for Opal Australia’s Energy from Waste project.
- \$30 million to establish an indoor barramundi aquaculture farm at Opal Maryvale, Morwell.
- Up to \$2.98 million for Zero Degrees Rosella 1 Pty Ltd’s Latrobe Valley Blue Hydrogen.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 3.5.1 insert:

Latrobe Valley based consultant, former CEO of Committee for Gippsland and renewable energy advisor, Jane Oakley in a personal submission to the Committee contended:

The introduction of the Latrobe Valley Authority (post the closure of Hazelwood Power Station) presented another layer of bureaucracy and added further complexity for the region when working or engaging with State Government.’

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 3.5.1 insert:

The Latrobe City Council submission highlights a lack of clarity in relation to effectiveness of the LVA's Worker Transition Service.

*However, without sufficient published data, there has been significant community doubt as to the effectiveness of some of these programs.*

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 3.5.1 insert:

CFMMEU Victorian District Secretary Mr Geoff Dyke provided insight at a Committee Hearing:

The other thing was the worker transition scheme that we trialled for Hazelwood. That was partially successful. We got 90 young employee's jobs at the newer power stations and retired 90 workers. Our data suggests that we could have transferred up to 200 workers, or over 200 workers, and the scheme promised to transfer 150.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Finding 2, after the word ‘were’ insert:

partially

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 3.7.1 insert:

The Committee notes that the State Government’s decision to implement a centralised laundering arrangement for the dry cleaning of FRV day wear and Ambulance Victoria uniforms and cancel long term service agreements with local small businesses were detrimental for the regional economy and resulted in significant financial and emotional stress for local businesses.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Finding 3, after the word ‘uncertainty’ omit:

‘

And insert:

and loss of jobs in the Latrobe LGA.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That Recommendation 1 be omitted and insert new recommendation:

**RECOMMENDATION 1:** That the Victorian Government implement appropriate measures that meet the current and future needs of a successful transition based on discussions with EnergyAustralia and impacted workers, businesses and communities. The measures shall consist of funding to Regional Development Victoria – Gippsland to cover the development of new and expanded industries to generate new direct and ongoing jobs with a funding stream and sufficient expertise to oversee worker transitional arrangements.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Recommendation 1 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Recommendation 2 be omitted and insert new recommendation:

**RECOMMENDATION 2:** That the Victorian Auditor General’s Office (VAGO) conduct an audit analysis of the Worker Transition Services and recommend ways to improvements for future worker transition services including the appropriate organisation to manage the transition services. This analysis should include the extent to which affected workers’ needs and priorities have been or are able to be met.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Mr Chair moved, That Recommendation 2 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That in Finding 4 omit:

These impacts are widely anticipated to continue, particularly as other energy sources become more affordable and attractive to consumers across the energy market. For these reasons, a future Worker Transfer Scheme such as that which was developed in response to the closure of Hazelwood will have a lesser impact upon affected workers in the industry.

And insert:

The Worker Transfer Scheme developed for the closure of Hazelwood will be insufficient to cope with future power station and coal mine closures given the substantial contraction of the industry (and coinciding with contraction in forestry, sawmilling, and paper). For these reasons, a future Worker Transfer Scheme such as that which was developed in response to the closure of Hazelwood will be insufficient to adequately provide for jobs for affected workers in the industry affected by future power station closures.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

The Chair moved, That Finding 4 stand part of the Report.

### The Committee divided.

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

### Question agreed to.

Ms Bath moved, That in Section 4.5.3 insert:

Mr Peter Montgomery also commented on the counterproductive outcomes to his business and its profitability of an LVA offered grant.

As a small business, deemed to be impacted sufficiently enough as direct result of Hazelwood closure we were able to qualify for assistance grant through LVA.

In compliance within the narrow guidelines of application criteria we were successful in securing funding.

Our experience in looking to realise benefit was very disappointing, unsuccessful. This arising from the narrow channel of compliance directed. The extensive and protracted time frame arising due to process. Totally inadequate level of funding available. Inexperience and lack of knowledge relative to our specific industry by mentors offered. Rorting of funding by service providers we were directed towards. Inflexibility of LVA to changing direction of funding toward requirement later identified in process. Critically this resulted loss of opportunity to achieve benefit within our required time frame.

Very considerable waste of our key personnel input and time. Loss of other considerable investment made in endeavour to arrive at beneficial outcome here. From our experience here, along with other feedback from applicants for like grants.

We do not see LVA in its current form of operational guidelines and budgetary constraints as beneficial in being able to provide in time or adequate assistance to assist us in transition and new business development.

### The Committee divided.

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

### Question negatived.

Ms Bath moved, That Recommendation 3 be omitted and insert new recommendation:

**RECOMMENDATION 3:** That the Victorian Government work with EnergyAustralia in advance of Yallourn’s closure to identify affected businesses and quantify the impact of closure on those businesses.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

The Chair moved, That Recommendation 3 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Recommendation 4 be omitted and two new recommendations be inserted:

**RECOMMENDATION 4A:** That the Victorian Government undertake a strategic analysis of future Latrobe Valley job creation opportunities and prepare a strategic plan for employment in the Latrobe Valley in consultation with EnergyAustralia and release a detailed strategic job plan to the public by June 2023.

**RECOMMENDATION 4B:** That the Victorian Government undertake a strategic analysis of future transitional services and training requirements vital to support workers following the closure of Yallourn and prepare them for new job opportunities by June 2023.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Recommendation 4 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Finding 5 be omitted.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Finding 5 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Recommendation 5 be omitted and insert new recommendation:

**RECOMMENDATION 5:** That the Victorian Auditors General's Office (VAGO) conduct an audit analysis of the functions of Regional Development Victoria and Latrobe Valley Authority and recommend future arrangements that avoid duplication and maximise the proportion of funding on service delivery and streamline administration costs.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Recommendation 5 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That in Section 5.6 insert:

**Other key regional stakeholders**

Gippsland Regional Executive Forum, Chair John Mitchell proposed the need for local peak body champions to be at the centre of discussions with government.

The Gippsland Regional Executive Forum (GREF) is one of three self-funded (3) Regional Executive Forums (REF's) established in Victoria, under the auspice of The Champions of The Bush. The REF's aim to provide effective business networks, undertake professional development, and advocacy in respect to regional investment facilitation, and policy/regulatory frameworks.

The GREF has 21 members, and each member comes from a different industry sector. Current membership includes Dyers Distribution, Alan Wilson Insurance Brokers, Telstra Country Wide, McMillans, GBS Recruitment, AGL, GippsTech, Aerium Consultants, Chunxing Corporation Pty Ltd, Latrobe Regional Hospital, Littleton Hackford Solicitors, Latrobe Funeral Services, Latrobe Valley Bus Lines, Hydro Australia Ltd, and Omnia Nutriology.

Advice to the Committee from John Mitchell Chair, Gippsland Regional Executive Forum identified:

- Local procurement policy is key to engaging local workforce.
- Industry Capability Network is getting better at identifying local and that focus now needs to be on central and the whole of Gippsland.

GREF would also propose the need for a peak body comprising industry champions, as opposed to too much government/public entity approach and thinking. To assist with project planning there is also need for an investment assessment too to enhance decision making and leverage investment.

#### **The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

#### **Question negatived.**

Ms Bath moved, That in Section 5.6.1 insert:

Former CEO Committee for Gippsland, Jane Oakley, expressed her views in a private submission:

The Victorian Government typically counts the number of new jobs associated with its investment however this is misleading because Government is not accounting for lost jobs therefore not calculating the region's net job position.

It would be beneficial if the Victorian Government shared with regional leaders' key data associated with the economic performance of the region – historical, current, and forecast. It would be advantageous for the Victorian Government in consultation with regional leaders (including community and business/industry) agree on a set of economic metrics to measure over time the health and wellbeing of our economy and communities. A model is currently under development being led by Committee for Gippsland in partnership with Federation University and Regional Development Australia.

#### **The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

#### **Question negatived.**

Ms Bath moved, That in Section 5.6.1 insert:

Despite State Government claim of 4,000 jobs created by the LVA, there is no documented proof that substantiates this claim or confirms how many jobs are ongoing.

It is disappointing that the new CEO, Mr Buckingham repeated the unsubstantiated claim during hearings that the 4,000 jobs are ongoing.

**MS BATH** – The next question is: “you claim 4000 jobs – it is on the website. Are the 500 SEA Electric anticipated jobs included in that figure?”

**MR BUCKINGHAM** – “No”

**MS BATH** – “And how many of the 4000 jobs that you have cited are ongoing employment?”

**MR BUCKINGHAM** – “In the context of COVID and variability all I can attest is that we have helped create 4000 jobs in the region and my understanding is that they are ongoing.”

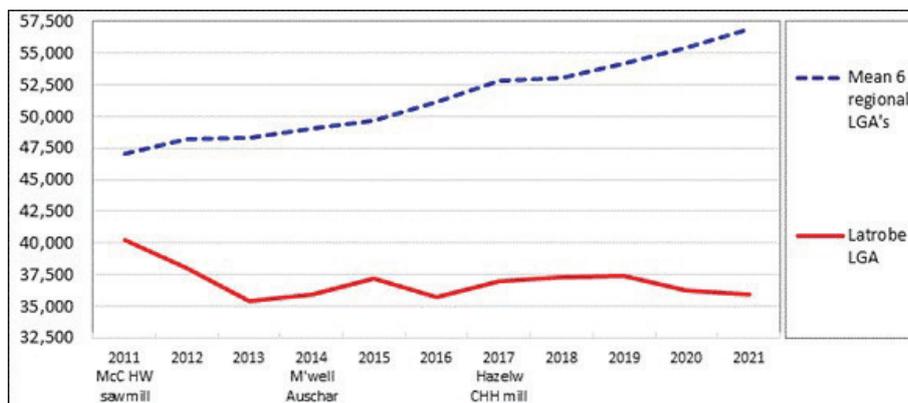
Despite numerous requests for detailed clarification of how many jobs are ongoing, the State Government has not been able to provide proof of the quantum of ongoing jobs.

Noting in fact, that the Latrobe City municipality, including the towns of Morwell, Traralgon, Churchill, and Yallourn North has been at the epicentre of job loss it is misleading of the LVA to quote recent Latrobe-Gippsland labour force figures which obscure the devastating impact on this community.

Closure of McCormack Morwell hardwood sawmill (McC sawmill) in 2011, Morwell Power and Briquette including Morwell Mine (M’well) in 2014, Auschar Morwell (Auschar) in 2014, Hazelwood Power and Mine (Hazelw) in 2017 and Carter Holt Harvey softwood sawmill (CHH) in 2017, caused the loss of many jobs in the Latrobe Valley.

Over the last decade the Latrobe Local Government Area (LGA) labour force has declined by 5,250 jobs while on average each of the other six LGAs have gained 9,900 jobs each (Figure x).

**Figure x: Latrobe LGA labour force compared to six regional LGA’s (No)**

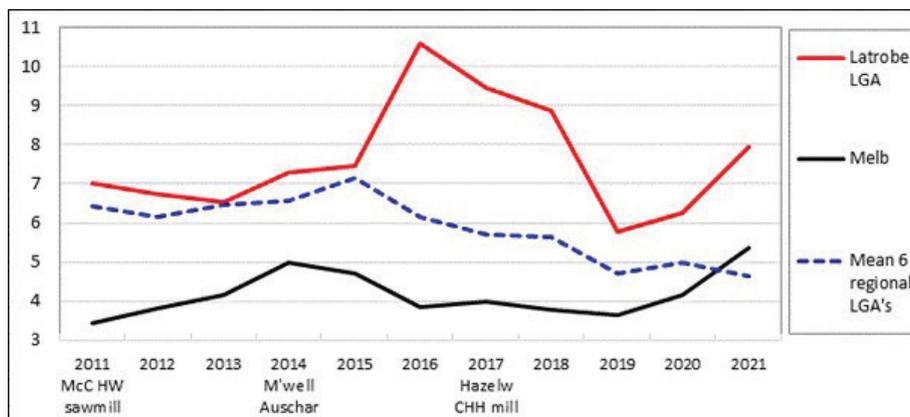


Over recent years the unemployment rate in Latrobe LGA has been almost twice that of six similar regional LGA's – Ballarat, Bendigo, Geelong, Mildura, Shepparton and Wodonga, and over the entire decade Latrobe unemployment has been almost twice that of Melbourne (%).

Latrobe unemployment was 7.8% at December 2021 and about the fifth highest of 80 Victorian LGAs (Figure x).

The Transitional arrangements have not generated ongoing jobs and the current employment/unemployment outcome is detrimental to prosperity and contrary to a submission using earlier employment data.

**Figure x: Latrobe LGA unemployment compared to 6 regional LGA's & Melbourne (%)**



**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That Recommendation 6 be omitted and insert new recommendation:

**RECOMMENDATION 6:** That the Victorian Government publish employment six monthly figures for the five rural LGAs (Latrobe, Baw Baw, South Gippsland, Wellington and East Gippsland) and changes to employment attributed to major industry closures, such as Hazelwood and Yallourn, and the native timber industry.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

The Chair moved, That Recommendation 6 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That in Section 5.6.2 insert:

Latrobe City Council in its submission stated that:

The focus on liveability projects, while welcome to deliver positive outcomes for the community, have placed increased operational costs on Council which did not seem to be considered when the State Government were developing a program of initiatives. They also have not created ongoing jobs and employment for the region to replace the jobs lost. A codesign approach with Council and the community to transition and economic diversification may have identified these gaps and issues.

Latrobe City Council has had concerns about the limited consultation with Council and the local community in the aftermath of the closure of the Hazelwood Power Station and associated Mine, and the lack of a measured, structured and inclusive transition planning with the focus on the region’s employment and economic growth. Council as representatives of the local community were not at the table when decisions about programs and funding were being made. An illustration of the Latrobe Valley Authority’s (LVA) failure fully consult with Council is the consultant’s report on Latrobe City’s Infrastructure Requirements that was commissioned by LVA in 2018. This report has not been made available to Council and as a result Council is having to engage consultants for a similar report in 2021. Additionally, there are many opportunities that have not been capitalised on to date to build a stronger economy such as low emissions technologies from coal using CCS, carbon utilisation, urea plants and removal of coal protection overlays. LVA support to progress these opportunities would be welcomed.

**New RECOMMENDATION XX:** That the Victorian Government work more closely with the Latrobe City Council in relation to any future Government measures to aid the region's economic transitioning.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

Ms Bath moved, That in Section 5.6.2, insert:

The Committee notes however, that due to a lack of adequate seating infrastructure, the Gippsland Regional Aquatic Centre (GRAC) funded by the LVA is unsuitable for State Level Championships or Commonwealth Games swimming events, diminishing the ability of the facility to deliver an economic boost from staging major events.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

Ms Bath moved, That Finding 7 be omitted and insert new finding:

**FINDING 7:** The Latrobe Valley Authority's objective was to achieve economic and social outcomes in the Latrobe Valley and wider Gippsland region, to minimise the impact of closure of coal mines and power stations and maximise socioeconomic opportunities leveraged off Latrobe Valley's resources, infrastructure and skills base.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Finding 7 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That in the heading of Section 5.7 omit:

rebuilding trust over time.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

Ms Bath moved, That in the Case Study in Section 5.6 insert:

My observation, .... is that before any existing industry or manufacturer is shut down a new industry and manufacturer actually needs to be in place or in advanced development for any transition of skills and resources to actually occur.

Small and medium business is the backbone of the Australian economy, in my view. It is both innovative and resilient and it underpins the nation's prosperity.

In our experience – we had a very unpleasant experience.

the conditions of the grant was that first we had to fund the investment and this would be later reimbursed on completion.

the referral we were put for actioning the development of websites, digital marketing and product brochure development failed miserably and was never, ever delivered.

The impact of that was that we were in a position which made it necessary for us to apply for redirection for funding

Then we went through a lengthy process, in terms of getting a completion, for very little result, we received final reimbursement I think in late 2019.

By that time any opportunity to take advantage or have any benefit was lost because of the relatively very low value of the grant and the complexity in terms of development, it actually drew more and more on our resources, which were already stressed, and required considerably more investment, both in terms of human resources and cost associated, to even action to the unsatisfactory outcome that we had.

It provided nothing for us apart from further distress and complication for the period.

The value of that grant was about \$71,000; \$16,000 of that went immediately to the medium in terms of conducting and establishing the qualification for the grant.

In fact the investment which we have carried to date is probably around about \$250 000 on that same channel, which we have borne and carried ourselves to get some level of success and position.”

And that in the last paragraph of the Case Study, omit:

The Committee notes that Mr Montgomery’s experience with the LVA was several years ago in 2018/19. It trusts that this is an example of where the LVA has grown with experience to provide a better service

And insert:

The Committee is concerned that there has been no evidence presented to the Inquiry, to suggest that flaws in the LVA grants process have been rectified.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 5.7 insert:

**ACI Chair Mr Gerry Morvell expanded:**

Where the LVA has not assisted in that process from our perspective is it has not been prepared to support those sorts of new ideas that are based on coal. The other theme that we have put forward is that this is about a transition; so it cannot be about what you have spent this year and what you spend next year, it has to be about what the plan is over the next 10 or 20 years, and that is something I do not think we have seen with the LVA funding. It has been for much shorter-term focused projects, each of which in their own right we would not debate whether they are good or bad. In fact I assume most are good.

But what we have not seen is, ‘What’s that decadal strategy that underpins transition?’, because that is what this is all about. It is the transition from an industrial base to something new. The renewable energy activities that have been funded to date, as much as they are good, do not generate long-term employment as a general rule.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

Ms Bath moved, That Finding 8 be omitted.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Finding 8 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Recommendation 7 be omitted and insert new recommendation:

**RECOMMENDATION 7:** That the Latrobe Valley Authority publish or quarterly its performance against its key performance indicators (KPI's) on its website and publish annually its updated business strategy, describing how and when it will enhance future socio-economic outcomes for the Latrobe Valley.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Recommendation 7 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Finding 9 be omitted.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Finding 9 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Finding 10 be omitted and insert new finding:

**FINDING 10:** Brown coal remains relevant to a range of existing uses beyond coal-fired power generation. The Inquiry received several submissions on potential opportunities to use of brown coal for a wide range of products from carbon fibre to renewable energy, to products for bio-sequestration of carbon in agricultural soils. Brown coal has the potential to deliver future economic growth and jobs in industry and enterprises across the Latrobe Valley. Brown coal has a range of applications beyond coking and power production and is readily accessible and present in large volumes across the Latrobe Valley.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

Ms Bath moved, That Recommendation 8 be omitted.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

Ms Shing moved, That in Recommendation 8 insert:

, including through the development of a long-term plan for transition and development across the Latrobe Valley region that builds on work already done.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Recommendation 9 be omitted.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

The Chair moved, That Recommendation 9 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Finding 11 be omitted and insert new finding:

**FINDING 11:** The Committee considers that very little real socioeconomic benefit will come from the \$7.5m as the overwhelming majority of funding will be allocated to staff salaries.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

The Chair moved, That Finding 11 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That Finding 12 be omitted and insert new finding:

**FINDING 12:** Successful regional transition in the Latrobe Valley will require sufficient long-term government funding and support, including from all levels of Government.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 6.3.2 the following text be inserted:

**Fibre – the Native Timber Industry**

The Victorian Government’s Forestry Plan

The Victorian Labor Government’s announcement in 2019 that it would phase out the native timber industry with a full shut down by 2030. The Committee understands there is a strong case for continued access to the 6% or 415,000 hectares for the sustainable production of native timber.

A veteran of thirty years’ experience in the timber industry, Mr Ian Reid informed the Committee of the flawed nature of the Victorian Government’s decision to close the native timber industry.

As a resident of the Latrobe Valley for over 35 years and being involved in the timber industry for 30 years I have seen many of the natural advantages of the area compromised and are concerned that if this trend continues the cost to both the valley and Victorian economy will be high. I work in the timber industry as a harvesting contractor working predominately in the Gippsland pine and hardwood plantations owned by HVP.

By growing the timber resource base an opportunity will be created to use this renewable resource as a raw material for the further development and opportunities for employment within the Latrobe Valley replacing and growing jobs and economic activity lost through the closure of the Hazelwood and Yallourn power stations.

It’s a shame the short-sighted decision to stop native logging by 2030 will mean the loss of a significant renewable resource that could have been available for future opportunities with the continued innovation and technology advances for the use of timber (eg Cross laminated timber, reusable paper bags as a replacement of plastic bags, etc).

The plan to stop timber from native forests is flawed due to

- 1) there is not enough time to replace this resource with the planned promise plantation development. Even with trees planted today there will be a gap of 10–20 years before they could begin to replace the native resource
- 2) The native areas being locked up are regrowth timber anyway, with the lack of management of this resource it will end up being a severe fire risk and is likely to be destroyed by bush fire within 20 years of lock up.
- 3) Gippsland is well suited due to soil, weather, and rainfall to grow quality trees.

Mr Geoff Dyke shared his sentiments on the Victorian Government’s appalling decision.

I think it is a disgrace to shut down the timber industry. I will be blunt. We have 7.1 million hectares of native forest, we have got some of the best timber in the world, and we are importing timber and we are putting timber workers out of work. I just think it is disgraceful.

Other Parliamentary Reports highlight the fact that the Victorian Forestry Plan is flawed and will not deliver the environmental outcomes it purports, nor will new plantations ensure sufficient wood volume to accommodate the loss of Victoria’s sustainable native timber industry.

- The Forestry Plan will have an adverse impact on scale economies in agriculture because it is based on converting 70,000 to 140,000 hectares of farmland to plantations.
- Past native timber access policy, exacerbated by bushfires, has resulted in the loss of \$6.6 billion Gross Regional Product and 5,560 jobs over the last 20 years from native forest timber.
- The ‘Forestry Plan’ is likely to contribute to a further loss \$5.6 billion in Gross Regional Product and the loss of another 3,660 jobs over the next twenty years in disenfranchised rural communities, already severely impacted by reducing native log supply and recent fire, floods and a pandemic.

**NEW RECOMMENDATION XX:** That the Victorian Government discard the Victorian Forestry Plan and continue with sustainable harvesting of native forests. The Victorian Government must work with VicForests to continue to maintain practices which enhance healthy, sustainable, and productive forest systems.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That in Section 6.3.4 insert:

In respect to the LVA and its Smart Specialisation strategy the Gippsland Regional Executive Forum (GREF) made the following comments:

GREF is also aware that the LVA has sought to champion innovation and collaboration through the Smart Specialisation Project. The flip side is that LVA requires significant resources and is another layer of bureaucracy.

The other issue is to what degree is there overlap/duplication of effort with the LVA and the Regional Office of Regional Development Victoria (RDV)? The real issue is whether better outcomes could have been achieved more efficiently through mechanisms such as RDV or a duly appointed Task Force, or existing entities like Gippsland Regional Partnerships, Committee 4 Gippsland, One Gippsland.

The Committee notes that no addition information was forthcoming on the deliverable outcomes from Food and Fibre Gippsland.

**Question to Ms Pero – Food and Fibre Gippsland**

**Ms Bath:** “I am quite focused, as you have heard, on those measurements of deliverable outcomes....”.

**Ms PERO:** “If it is acceptable, I am very happy to put a one- or two-pager together with some of that information and data and send it across to you”.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

Ms Bath moved, That Finding 14 be omitted.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negated.**

The Chair moved, That Finding 14 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Bath moved, That in Section 6.3.4, insert:

Further to the discussion on Smart Specialisation, Jane Oakley commented:

Federation University has been a participant in the extensive Smart Specialisation program funded and led by the Latrobe Valley Authority across the growth sectors of Food & Fibre, the Visitor Economy and New Energy.

Federation University understands there is currently ongoing Smart Specialisation work being undertaken in small rural communities in East Gippsland and Wellington Shire Council to help those communities develop plans as they transition away from economies that relied on native timber harvesting. In their submission to the Inquiry, however Federation University stated that they have not been provided the opportunity to lead the majority of the Gippsland based engagement and research across the Smart Specialisation program within the above sectors including timber transition.

Federation University supports the framework of deep engagement across community, government, industry, and education including undertaking the important discovery and engagement work to develop future priorities. It is disappointing that most of the research funding over the last three to four years has been directed to education institutions outside of Gippsland.

**NEW RECOMMENDATION XX:** The Victorian Government prioritise research funding to Gippsland institutions, such as Federation University to enable localised procurement of innovation research and development and associated training.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlami
	Mr Meddick

**Question negated.**

Ms Bath moved, That Finding 15 be omitted.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlami
	Mr Meddick

**Question negated.**

Ms Shing moved, That in Finding 15, after the words 'Victorian Government are' insert:

working to reduce this

And omit:

reducing

After the words 'overlap in their work' insert:

, and engagement with the community.

#### **The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

#### **Question agreed to.**

Ms Bath moved, That Finding 17 be omitted and insert new finding:

**FINDING 17:** Global demand for renewable energy components and shipping constraints may delay some renewable energy projects (e.g. ships capable of transporting wind turbines are booked until 2026). Government support with timely regulatory approval, along with accommodating policy and funding can help jurisdictions attract these projects and help timely completion.

#### **The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

#### **Question negated.**

Ms Bath moved, That in Section 6.7.2 insert:

Gippsland Regional Executive Forum (GREF) provided a view on a mine rehabilitation strategy.

We would also advocate that the key issue of Mine Rehabilitation should be considered by the Inquiry. The mine rehabilitation projects will have significant economic, environmental, social consequences and there is a very real need to have certainty around the rehabilitation options, and the cost / benefit analysis of those options, and

clarity on how the rehabilitation costs will be borne ie who is actually paying? If the costs are to be apportioned who is paying what share?

The Mine Rehabilitation proposals involve consideration of dry and wet mine options. Water used in the rehabilitation process should be assigned an economic value, and it is clearly essential for the Government and community to understand how any water resource is being accessed, the long-term implications in respect to regional water sustainability, and the implications for longer term economic development capability and environmental stewardship.

Other water resources such as those held by Gippsland Water should also be considered and where appropriate fully leveraged. Government should ensure it is looking at the full range of natural water resources available before considering alternative resources such as manufactured water/ desalination.

Existing alternative sources of water production at a local level should also be prioritised in any wet mine solution – such as the 2.7 ML capacity of the Gippsland Water Factory.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

Ms Bath moved, That Finding 21 be omitted.

**The Committee divided.**

Ayes	Noes
Ms Bath	Mr Erdogan
	Ms Shing
	Mr Tarlamis
	Mr Meddick

**Question negatived.**

The Chair moved, That Finding 21 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 1 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 2 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 3 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 4 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 5 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 6 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 7 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 8 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 9 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 11 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 14 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 15 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Finding 21 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 1 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 2 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 3 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 4 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 5 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 6 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 7 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 8 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Meddick moved, That Recommendation 9 stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Tarlamis moved, that Chapter 4 be adopted and stand part of the report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Mr Tarlamis moved, that Chapter 6, as amended, be adopted and stand part of the Report.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**

Ms Shing moved that the Final Report, as amended, be adopted.

**The Committee divided.**

Ayes	Noes
Mr Erdogan	Ms Bath
Ms Shing	
Mr Tarlamis	
Mr Meddick	

**Question agreed to.**



# Minority report





# VICTORIAN PARLIAMENTARY INQUIRY INTO CLOSURE OF THE HAZELWOOD AND YALLOURN POWER STATIONS

## LIBERALS AND NATIONALS MINORITY REPORT



**Prepared by The Nationals and Liberals**

**May 2022**

Cover figure: Hydrogen Energy Supply Chain (HESC) pilot plant delivered a world-first by producing clean liquid hydrogen from Latrobe Valley's brown coal and successfully shipping it to Japan in January 2022<sup>1</sup>.

<sup>1</sup> Source Australian Government, Department of Industry, Science, Energy and Resources website

# Table of Contents

Tables.....	4
Figures .....	4
Appendices .....	4
<b>Minority Report Summary &amp; Recommendations .....</b>	<b>5</b>
Summary.....	5
Synopsis of Minority Report Recommendations.....	6
Stakeholder Suggestions and Recommendations .....	7
<b>The Liberals and Nationals Minority Report Recommendations .....</b>	<b>8</b>
<b>1. About the Inquiry .....</b>	<b>10</b>
1.1 Terms of reference .....	10
1.2 Committee Membership .....	11
1.4 Forward to the Minority Report.....	12
<b>2. Background on Latrobe Local Government Area.....</b>	<b>14</b>
<b>3. Impact of closure of Hazelwood Power Station and Mine.....</b>	<b>14</b>
3.1 Closure of Hazelwood Power Station and Mine.....	14
3.2 Hazelwood Rehabilitation Project .....	14
3.3 Socioeconomic impact of the closure of Hazelwood Power Station and Mine .....	15
3.4 The impact of the closure of Hazelwood on support businesses.....	17
<b>4. Economic Impacts of proposed closure of Yallourn in 2028 .....</b>	<b>18</b>
4.1 Energy Australia commentary on the closure of their Yallourn Power Station .....	18
4.2 Other Views on the closure of Yallourn Power Station.....	18
<b>5. Success or otherwise of the LVA to help the region .....</b>	<b>19</b>
5.1 Victorian Government and LVA action following closure of Hazelwood was insufficient .....	19
5.2 Andrews Government response to the closure of Hazelwood .....	20
5.3 Community feedback on the government response.....	20
5.4 Performance of the Latrobe Valley Authority (LVA).....	21
5.5 Commentary on the LVA performance by Latrobe City Council .....	22
5.6 Commentary on the LVA performance by the Union movement .....	22
5.7 Commentary on the LVA performance by Community groups.....	23
5.8 Commentary on the LVA performance by Gippsland businesses .....	23
5.9 Case studies of failed investment from the LVA and the Andrews Government.....	25
5.10 Case studies of good Commonwealth Government support for developing industries.....	25
<b>6. Local employment in renewable energy.....</b>	<b>27</b>
<b>7. Latrobe Valley Brown Coal Resource .....</b>	<b>27</b>
<b>8. Potential uses of Lignite .....</b>	<b>28</b>
8.1 Latrobe Valley Lignite can be greenhouse friendly .....	28

8.2	There are a wide range of potential uses for Lignite.....	28
8.3	Australian Carbon Innovations .....	29
8.4	Carbon capture, utilisation and storage.....	30
<b>9.</b>	<b>Renewable Energy</b> .....	<b>30</b>
<b>10.</b>	<b>Solar Energy</b> .....	<b>31</b>
10.1	Advantages and disadvantages of solar energy .....	31
10.2	Stewardship and Recycling of Photovoltaic panels .....	31
<b>11.</b>	<b>Wind power</b> .....	<b>32</b>
11.1	Land based wind turbines .....	32
11.2	Offshore Wind farms .....	32
<b>12.</b>	<b>Electricity Storage</b> .....	<b>33</b>
12.1	Pumped Hydro Storage (deep storage for firming power) .....	34
12.2	Battery Storage (shallow storage for 2 to 4 hours) .....	34
<b>13.</b>	<b>Hydrogen Energy</b> .....	<b>35</b>
13.1	Hydrogen Energy Supply Chain (HESC) Project .....	35
13.2	Opportunities for wise investment - Green Hydrogen.....	35
<b>14.</b>	<b>The Victorian Forestry Plan</b> .....	<b>36</b>
<b>15.</b>	<b>The way forward</b> .....	<b>37</b>
15.1	Some renewable options that warrant closer examination.....	37
15.2	Energy Australia’s plan .....	38
15.3	Some suggestions from the community on shaping the way forward.....	38
15.4	Smart Specialisation Strategy .....	39
15.5	The role of Federation University in the Smart Specialisation Strategy .....	39
15.6	Community commentary on the Smart Specialisation Strategy .....	41
15.6	Mine rehabilitation.....	42

## Tables

<b>Table 1: Job numbers and unemployment for Gippsland 6 LGAs</b> .....	<b>16</b>
<b>Table 2: LVA investment in Gippsland</b> .....	<b>20</b>
<b>Table 3: Employment in manufacturing, construction and operation of renewable energy</b> .....	<b>27</b>
<b>Table 4: SWOT analysis of Latrobe Valley brown coal (Lignite)</b> .....	<b>27</b>

## Figures

<b>Figure 1: Latrobe LGA labour force compared to six regional LGAs (No)</b> .....	<b>17</b>
<b>Figure 2: Latrobe LGA unemployment rate compared to 6 regional LGA's and Melbourne (%)</b> .....	<b>19</b>
<b>Figure 3: Proposed Latrobe Aquaculture project at Maryvale Mill</b> .....	<b>26</b>
<b>Figure 4: Carbon-based products that can be produced from Lignite (Brown Coal) <sup>37</sup></b> .....	<b>29</b>
<b>Figure 5: Global annual offshore wind capacity additions (GW) <sup>49</sup></b> .....	<b>33</b>
<b>Figure 6: Levelised cost of lithium-ion batteries and a gas turbine peaker (A\$/MWh)</b> .....	<b>34</b>

## Appendices

<b>Appendix 1: The Committee compared to the Liberals and Nationals findings and recommendations</b> .....	<b>42</b>
<b>Appendix 2: Community Stakeholder Recommendations ignored by Committee Report</b> .....	<b>48</b>

## Minority Report Summary & Recommendations

### Summary

The Latrobe Valley's prosperity was built on harnessing an abundant brown coal resource into low cost and reliable electricity through advances in coal-fired power generation, hard work and ingenuity from a post-World War I workforce of predominantly European immigrants and returned service personnel.

The use of Latrobe Valley's vast brown coal resource for power generation and related purposes shaped the history, economic profile, and identity of the Latrobe Valley for over a century. It along with the Maryvale paper mill and associated forest industry has driven prosperity and growth across the state of Victoria and more broadly nationally. The Liberals and Nationals members acknowledge and respect the endeavours of all workers who have contributed to the development of Latrobe Valley.

The closure of Hazelwood Power Station, and changes to reliance on brown coal, has affected the Latrobe Valley in a range of different ways that have contributed to job losses, increased unemployment and to economic and social uncertainty. The Latrobe local government area (LGA) is at the centre of these adverse outcomes.

The Worker Transfer Scheme developed for the closure of Hazelwood will be insufficient for future power station and coal mine closures, given the substantial contraction of the coal fired power industry and a diminished forestry, sawmilling, and paper industry due to the Andrews Government's abandonment of the native timber industry.

Established in November 2016, the Latrobe Valley Authority (LVA) spent approximately \$290 million over five years. The LVA has failed to achieve the socio-economic outcomes in the Latrobe Valley that minimises job losses and economic loss. It has not maximised socioeconomic opportunities which leverage off Latrobe Valley's resources, infrastructure, and skills base. The LVA was established to transition displaced Hazelwood workers and impacted contractors, deliver sustainable jobs growth and offset economic decline in the Latrobe Valley. It has not delivered on important key performance indicators (KPIs). Over the past decade the Latrobe LGA labour force has declined by approximately 4,350 jobs, while on average each of six other regional labour force have in contrast gained approximately 10,070 jobs. Latrobe LGA unemployment is just under 8 per cent as at December 2021, which is about twice the average of Ballarat, Bendigo, Geelong, Mildura, Shepparton and Wodonga.

The Liberals and Nationals hold the view that little real socioeconomic benefit will come from the \$7.5 million provided in State Budget 2022-23, as the majority of funding will be allocated to staff salaries and operational costs. Successful regional transition requires sufficient long-term government funding and support. Providing funding in advance of Yallourn's closure will provide businesses time to scale up and make investments decisions that create sustainable future employment opportunities for Yallourn workers and the job losses from the native timber and forest products industry under the failed Andrews Government 'Victorian Forestry Plan'. A recommendation for substantial funding in advance was supported in submissions by Jane Oakley (renewable energy consultant), Liz Westcott (Chief Operating Officer, Energy Australia), Tony Cantwell (Committee for Gippsland).

International experience from transitioning away from coal-fired power, indicates that the significant socioeconomic benefit of traditional power generation will not be replaced by one single industry or large-scale employer. Instead, a combination of new businesses and industries will be required to offset the economic and social changes and impacts resulting from the closure of the Hazelwood, Yallourn and Loy Yang power stations.

Growing established enterprises with a regional footprint and supporting new commercially viable technologies, and value-added products and services are vital for a prosperous future. New large-scale renewable energy projects across the Latrobe Valley and Gippsland will provide a significant number of jobs in construction. Timeframes for construction range from five to ten years, which will offset some of the job losses from the closure of the region's power stations for a fixed period. A permanent workforce will be

required to run and maintain renewable facilities but not to the magnitude of the coal generators. A diverse and multi-skilled workforce will need to emerge.

Global demand for renewable energy components and shipping constraints may delay some renewable energy projects (eg. ships capable of transporting wind turbines are booked until 2026<sup>2</sup>). Government support, timely regulatory approval, along with complementary policy and funding can help attract and ensure timely completion of renewable energy projects.

Victoria needs appropriate rehabilitation strategies for coal mines and assets to reduce future risks of mine fires, subsidence, and other adverse environmental impacts. Victoria also needs similar rehabilitation requirements and rehabilitation bonds for large-scale renewable energy assets given potential adverse environmental impacts of materials and components used in these renewable technologies.

### Synopsis of Minority Report Recommendations

For the closure of Yallourn, the Victorian Government needs to implement a successful transition based on discussions with Energy Australia and impacted workers, businesses, and communities. Sufficient funding to cover the development of new and expanded industries to generate ongoing jobs and to oversee worker transition should be managed by Regional Development Victoria - Gippsland. The planning, funding, and wise implementation needs to start immediately to identify affected businesses, quantify impacts and implement solutions.

The Victorian Auditor General's Office (VAGO) be asked to investigate the effectiveness of the Worker Transition Service and Worker Transfer Scheme and recommend improvements for future services and schemes. This analysis should include the extent to which affected workers' needs and priorities have been and/or are able to be met.

The Victorian Government should undertake an analysis of future Latrobe Valley job creation opportunities and prepare a plan for new and enduring employment in the Latrobe Valley in consultation with stakeholders and release a detailed job plan by June 2023. This should be complemented with a strategic analysis of future transitional services and training requirements to support workers following the closure of Yallourn and prepare them for new job opportunities for release by June 2023.

The Victorian Government publish six monthly small area labour market employment data (SA3) for each of the six Gippsland LGA's which is comprised of Latrobe, Baw Baw, South Gippsland, Wellington, East Gippsland and Bass Coast) report on changes to employment attributed to major industry closures.

The Victorian Government needs to work more closely with the Latrobe City Council on the region's economic transition, given Latrobe LGA continues to bear the brunt of adverse impacts of the transition away from coal power generation.

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<sup>2</sup> Ms Erin Coldham, EIC CHYPS, *Transcript of evidence*, March 2, 2022, p. 50.

## Stakeholder Suggestions and Recommendations

Various stakeholder groups made important suggestions on how to develop new industries based on existing and emerging technologies that could help with the transition from coal-fired power generation to renewable energy. The Committee Report failed to give carriage to these important stakeholder suggestions and recommendations. Through this Minority Report, stakeholders are given a voice.

The Victorian Government seed investment in the development of technologies and people to broaden the use of lignite for a sustainable future e.g., carbon neutral hydrogen, production of fertilizers, low-cost carbon fibre, graphene for the electronics industries and activated carbon used in food and health industries and for filtration of water and effluent.

The Victorian Government should establish an industry development fund in advance of Yallourn's closure, to expand existing businesses and attracting new industries to the region to assist a smooth transition for the local economy and skilled job market.

That the Victorian Government support a commercialised HESC<sup>3</sup> chain industry with the potential to create thousands of jobs and create a thriving hydrogen export industry with huge local economic, environmental and community benefits.

The Victorian Government should establish a Renewable Energy Industrial Precinct in the Latrobe Valley to provide cheaper infrastructure and energy (electricity and heat) shared across multiple large energy users; access to a skilled workforce; attract businesses and investors; and provide an opportunity to commercialise new technologies and solutions locally, by attracting start-ups to co-locate with established industry players.

That the Victorian Government approve Yallourn's rehabilitation plan well ahead of its closure and prioritise workers for employment in rehabilitation of the mine and operation of Energy Australia's new large-scale battery.

That the Victorian Government and operators ensure that existing users and alternative potential uses of Latrobe Valley water are protected as they plan filling the three Latrobe Valley Mines with water.

The Victorian Government should consider the 2.7 ML capacity of the Gippsland Water Factory and times of high rainfall events as opportunities to advance filling mines under any wet mine solution.

The Victorian Government should rescind its policy to exit from native forest timber supply by 2030 given that the disruption from the exit coincides with disruption from the closure of Yallourn and the planned ramp up in plantation supply has not occurred, nor is it likely to be effectively implemented given very high land prices that are prohibitive for commercial plantations. The Victorian Government must work with VicForests to continue to maintain practices which enhance healthy, sustainable, and productive forest systems.

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<sup>3</sup> HESC - Hydrogen Energy Supply Chain

## The Liberals and Nationals Minority Report Recommendations

**Minority Report Recommendation 1:** That for the closure of Yallourn Power Station the Victorian Government implement appropriate measures that meet current and future needs of a successful transition based on discussions with Energy Australia, impacted workers, businesses and communities. The measures shall consist of funding to Regional Development Victoria – Gippsland, to cover the development of new and expanded industries to generate new direct and ongoing jobs with a funding stream and sufficient expertise to oversee worker transitional arrangements.

**Minority Report Recommendation 2:** That the Victorian Auditor General’s Office (VAGO) be asked to conduct an investigation into the effectiveness of the Worker Transition Service and Worker Transfer Scheme and recommend ways to improve future services and schemes. This analysis should include the extent to which affected workers’ needs and priorities have been and or are able to be met.

**Minority Report Recommendation 3:** That the Victorian Government will work with Energy Australia in advance of Yallourn’s closure and identify affected businesses and quantify the impact of closure on those businesses.

**Minority Report Recommendation 4A:** That the Victorian Government undertake an analysis of future Latrobe Valley job creation opportunities and prepare a strategic plan for employment in the Latrobe Valley in consultation with Energy Australia and release a detailed jobs plan to the public by June 2023.

**Minority Report Recommendation 4B:** That the Victorian Government undertake an analysis of future transitional services and training requirements vital to support workers following the closure of Yallourn and prepare them for new job opportunities. Release a detailed transitional training plan to the public by June 2023.

**Minority Report Recommendation 5:** That the Victorian Auditors Generals Office (VAGO) be asked to conduct an investigation into the effectiveness of the functions of RDV and LVA and recommend future arrangements that avoid duplication and maximise the proportion of funding on service delivery and streamline administration costs. (noting the Minority Report recommends to the disband the LVA)

**Minority Report Recommendation 6A:** That the Victorian Government publish employment figures six monthly for the six rural LGA’s (Latrobe, Baw Baw, South Gippsland, Wellington, East Gippsland and Bass Coast) and changes to employment attributed to major industry closures, such as Hazelwood and Yallourn, and the native timber industry.

**Minority Report Recommendation 6B:** That the Victorian Government work more closely with the Latrobe City Council in relation to any future Government measures to aid the region’s economic transitioning given that Latrobe LGA has been most affected by past closures and is now the most disadvantaged LVA in the region.

**Minority Report Recommendation 7:** Removed due to position to disband the Latrobe Valley Authority

**Minority Report Recommendation 8:** That the LVA focus on delivering effective transition plan with outcomes and not spend any of the 2022-23 Budget allocation of \$7.5 million on self-promotion with its final 12 months of funding.

**Minority Report Recommendation 9A:** That the Victorian Government discard the Victorian Forestry Plan and continue with sustainable harvesting of native forests. The Victorian Government must work with VicForests to continue to maintain practices which enhance healthy, sustainable, and productive forest systems.

**Minority Report Recommendation 9B:** The Victorian Government prioritise research funding to Federation University to enable localised procurement of innovation, research and development and associated training. This will deliver new jobs and help offset some of the job loss under closure of coal-fired power stations.

**Minority Report Recommendation 10:** That the Victorian Government develop a residual risks policy for the mines at Hazelwood and Yallourn. The policy should address risks associated with ground instability, fire and toxic or dangerous materials

**Minority Report Recommendation 11:** That Governments increase funding to ACI given their potential to create new industries with ongoing jobs.

**Minority Report Recommendation 12:** That the Victorian Government support the establishment of a Carbon Research and Innovation Centre as proposed by Australian Carbon Innovation and Federation University with the proviso that it have strong industry participation and focus on the entire chain from fundamental research → applied research → development → pilot trials → commercialisation.

**Minority Report Recommendation 13:** That the Victorian Government introduce bonds (similar to retiring coal fired power plant bonds) for large-scale solar energy, wind farms and large-scale battery facilities to ensure sufficient funds are available for site rehabilitation.

# 1. About the Inquiry

## 1.1 Terms of reference

On 17 March 2021 the Legislative Council agreed to the following motion moved by the Member for Eastern Victoria Region, Melina Bath MP:

That this House, requires the Economy and Infrastructure Committee to inquire into, consider and report, by no later than 13 December 2021

1. on the:
  - a. impact of the closure of the Hazelwood Power Station on the economy and jobs of the Latrobe Valley, and the success or otherwise of economic recovery efforts to date;
  - b. expected economic impacts of the proposed closure of Yallourn Power Station in 2028 and options the State Government can pursue to offset the loss of more than 1,000 direct jobs from the plant, as well as associated contractors;
  - c. success or otherwise of the Latrobe Valley Authority (LVA) to help the region transition, in light of the decline of funding made available to the LVA over successive State Budgets
2. and if the Committee proposes to transmit a report for the Inquiry to the House on a day when the House is not sitting, the Chair may give the report to the Clerk and:
  - a. the Clerk must:
    1. as soon as practicable after the report is received give a copy of the report to each Member of the House;
    2. as soon as practicable after the report is received cause the report to be published on the Tabled Documents Database and the Committee's website;
  - b. cause the report to be tabled in the House on the next sitting day of the House; and
  - c. the report will be taken to be published by authority of the House

A motion was subsequently passed to extend the reporting date to 31 May 2022.

The Government is required to respond within six months of the report being tabled. Once the response is received, it will be available for download from the Parliament of Victoria Committees website.

It needs to be noted all Labor MP's, the Animal Justice Party MP and Dr Catherine Cumming MP opposed the motion to establish the Inquiry into the Closure of Hazelwood and Yallourn Power Stations.

**House divided on motion:**

*Ayes, 19*

Atkinson, Mr  
Bach, Dr  
Barton, Mr  
Bath, Ms  
Bourman, Mr  
Davis, Mr  
Finn, Mr

Grimley, Mr  
Hayes, Mr  
Limbrick, Mr  
Lovell, Ms  
Maxwell, Ms  
McArthur, Mrs

O'Donohue, Mr  
Ondarchie, Mr  
Patten, Ms  
Quilty, Mr  
Ratnam, Dr  
Rich-Phillips, Mr

*Noes, 18*

Cumming, Dr  
Elasmar, Mr  
Garrett, Ms  
Gepp, Mr  
Kieu, Dr  
Leane, Mr

Meddick, Mr  
Melhem, Mr  
Pulford, Ms  
Shing, Ms  
Stitt, Ms  
Symes, Ms

Tarlamis, Mr  
Taylor, Ms  
Terpstra, Ms  
Tierney, Ms  
Vaghela, Ms  
Watt, Ms

**Motion agreed to.**

[1.2 Committee Membership](#)

Members who attended hearings and deliberations during the Inquiry:

- Mr Enver Erdogan—Chair, Australian Labour Party
- Mr Rodney Barton, Transport Matters Party
- Ms Melina Bath, The Nationals
- Mr Andy Meddick, Animal Justice Party
- Ms Harriet Shing, Australian Labour Party
- Mr Lee Tarlamis, Australian Labour Party

## 1.4 Forward to the Minority Report

Eastern Victoria contains all of Victoria's coal-fired power generation, a skilled workforce and an abundant lignite resource with potential to support new ecologically sustainable industries, including carbon fibre and clean hydrogen fuel.

This Minority Report provides a voice to the many submissions and testimonies ignored in the Committee Report. These submissions and evidence highlight that the government's \$290 million support package failed to insulate the lives and livelihoods of workers and families who lost their job, following the closure of Morwell and Hazelwood coal mines and power stations.

The Latrobe Valley Authority (LVA) was established to administer the Victorian Government's transition package. Many residents were critical of the transition and support administered by the LVA, as evidence in the transcripts and evidence.

The Liberals and Nationals members hold major concerns with the Committee Report. Our concerns include:

- The Committee demonstrated a lack of independence required to critically examine the Andrews Government's policy by rejecting virtually all amendments to the Committee Report proposed by Ms Bath (see extracts of proceedings).
- The Committee Report is selective in its use of the material presented to the Inquiry and completely ignores a large proportion of expert evidence, particularly those critical of the Andrews Government and LVA's management of transitional arrangements.
- The findings in the Committee Report are at odds with reality, particularly relating to the performance of the LVA and the adverse impact industry closure on jobs and unemployment in Latrobe LGA.
- The Recommendations of the Committee Report do not adequately take into account critical knowledge, information, data, practical experience and positive suggestions made in submissions.
- The Committee Report fails to recognise the need for a comprehensive strategy for an orderly transition from coal fired power to renewable energy and alternate industries and businesses required to avoid substantial job loss in the Latrobe Valley.
- The Committee discounted community feedback via the Inquiry survey.
- Victoria needs a strategy that maximises the use of Latrobe Valley resources, infrastructure and skilled workforce.
- Submissions and testimonies of many regionally based stakeholder groups have not been adequately taken into account
- The Committee Report ignores the inadequate manufacturing of components in the Latrobe Valley and makes no recommendations to address this adverse situation.

The Liberals and Nationals members put forward this Minority Report with a focus on real outcomes:

- The Liberals and Nationals unpack the impact of the transition, job losses and increased unemployment in the Latrobe Valley.
- The Minority Report makes positive suggestions, delivering improved outcomes via an orderly transition to renewables that takes into account socioeconomic, environmental considerations.
- The Minority Report recommends that future policy needs to be based on more detailed analysis of the socioeconomic and environmental impacts of redundant renewable energy infrastructure.
- We discuss some of the wide range of imperatives that should be considered in an orderly and ecologically sustainable transition to renewable energy.

- The Minority Report makes positive suggestions to explore a pathway to renewable energy that utilises Latrobe Valley’s resources (including abundant Lignite), skilled workforce and favourably located infrastructure.
- Renewable energy technologies worthy of closer examination include blue hydrogen, green hydrogen, hydro-electricity and pumped hydro deep storage.
- Carbon capture and storage or geo-sequestration along with forest/farm/soil bio-sequestration offer ways in which Latrobe Valleys Lignite resource can be used as a feedstock for renewable energy such as blue-green hydrogen, carbon fibre and fertiliser.

I thank my fellow Committee members and our secretariat staff Patrick O’Brien, Justine Donohue, Jessica Wescott, Sam Leahy, Kieran Crowe for their contribution and hard work on the Inquiry.

The Liberals and Nationals members acknowledge the efforts of the many talented people in our agencies and we advocate for organisational improvement so that those people can be more effective.

The Liberals and Nationals members recommend that the Victorian Government treat the Committee report with caution.

*Melina Bath*



**Melina Bath MP**  
Member for Eastern Victoria Region

*Beverley McArthur*



**Beverley McArthur MP**  
Member for Western Victoria Region

*Craig Ondarchie*



**Craig Ondarchie MP**  
Member for Northern Metropolitan Region

## 2. Background on Latrobe Local Government Area

Latrobe City is the fourth largest regional City in Victoria behind Geelong, Ballarat and Bendigo. Population growth has been marginal at 0.4 per cent pa over four years to 2020. Gross Regional Product was \$5.8 billion in 2020.<sup>4</sup> Major industries in the Latrobe LGA are electricity generation, paper manufacture, education, and services. Coal fired power generation dominates.

Key employers are Yallourn Power Station (lignite 1,450MW), Loy Yang A Power Station (lignite 2,200MW), Loy Yang B Power Station (lignite 1,050MW), Jeeralang Power Station (gas peaker 432MW), Traralgon Valley Power (gas peaker 300MW), Maryvale Pulp and Paper Mill (includes 55MW biomass power station), Latrobe Regional Hospital, Maryvale Private Hospital, Federation University, and several primary and secondary schools and engineering and maintenance support industries.

The Latrobe LGA has no significant renewable energy industries established to provide employment when the five coal and gas fired power stations close, apart from Maryvale's 55MW biomass power station. There are only three small hydro power stations within the Latrobe Valley region, which employs few people – Thomson Dam 7.5MW, Blue Rock 3.6MW, and Glenmaggie 3.8MW

## 3. Impact of closure of Hazelwood Power Station and Mine

### 3.1 Closure of Hazelwood Power Station and Mine

Hazelwood Power Station was built in 1964-71 and peaked at 1760 MW, generating up to 25 per cent of Victoria's base load electricity. The low-cost electricity enabled the development of Victoria's heavy manufacturing that was the cornerstone of the State's prosperity. Owners ENGIE Group committed to divest and retire coal fired assets. The scheduled decommissioning of Hazelwood was delayed from 2009 to 2017 with the opening of the West Field to provide additional coal. Hazelwood employed approximately 800 employees and contractors.<sup>4</sup>

### 3.2 Hazelwood Rehabilitation Project

Between 2017 to 2021 the Hazelwood Rehabilitation Project provided employment for about 400 people or half the employment when Hazelwood was operating. Local (Latrobe Valley) employment was about 75 per cent or 300 jobs providing upskilling for local people in decommissioning, demolition, remediation, and rehabilitation. Skills learned in demolition and rehabilitation will be transferable to other decommissioning stations. Delta Group the principal demolition contractor has secured preparatory works for the closure of Liddell Power Station in NSW.<sup>4</sup>

Filling the open cut with one billion cubic metres of soil or other material has been dismissed as impractical by experts and extraordinarily expensive. Leaving an empty void would require ongoing maintenance including pumping of ground water and monitoring stability. The vision for the rehabilitation project is to deliver a safe, stable and sustainable landform and the preferred method is to create a full lake because<sup>4</sup>:

- It provides long term weight balance minimising mine floor and batter movement
- It eliminates fire risk
- It creates the widest range of long-term business and community uses
- The lake can act as flood mitigation and a water storage facility

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<sup>4</sup> Needham, I (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations, Submission No 30.

To ensure other water user's interests are not compromised, the focus currently is on filling the mine in 10 to 20 years using water from<sup>4</sup>:

- Groundwater currently pumped out of the mine from the aquifers beneath the mine floor (to continue until a full lake is achieved)
- Purchase of surface water when climate and weather conditions permit
- Direction of limited flood flows via an emergency diversion structure

### 3.3 Socioeconomic impact of the closure of Hazelwood Power Station and Mine

Despite the Victorian Government's claim of 4,000 jobs created by the LVA there is no documented proof that substantiates this assertion or confirmation of how many jobs are ongoing in full-time or part-time permanent positions.

It is disappointing that the new CEO of the LVA, Mr Buckingham repeated the unsubstantiated claim during the hearings that the 4,000 jobs are ongoing.

**MS BATH** – The next question is: “you claim 4000 jobs – it is on the website. Are the 500 SEA Electric anticipated jobs included in that figure?”

**MR BUCKINGHAM** – “No”

**MS BATH** – “And how many of the 4000 jobs that you have cited are ongoing employment?”

**MR BUCKINGHAM** – “In the context of COVID and variability all I can attest is that we have helped create 4000 jobs in the region and my understanding is that they are ongoing.”<sup>5</sup>

Despite numerous requests to the State Government agencies, for detailed clarification on how many jobs are ongoing in full-time or part-time permanent position this information has not been provided. In a response to questions on notice Mr Buckingham provided the information below.

As at November 2021, the LVA has contributed to more than 4000 employment outcomes from investments in infrastructure and local programs. These include:

*(i) 1156 jobs have been created by support provided to 374 businesses through the Economic Growth Zone Reimbursement Scheme.*

*(ii) 1498 unemployed people who live in the Latrobe Valley have been hired as a result of funding provided through the Back to Work Scheme.*

*(iii) Over 730 workers impacted by the closure of Hazelwood and Carter Holt Harvey sawmill have been supported to find employment by the Worker Transition Service.*

*(iv) 500 jobs across the region resulting from major infrastructure projects funded through the Latrobe Valley Sports and Community Initiative.*

*(v) Since November 2016 (the month Hazelwood closure was made public) there are currently (Jan 2022) 4,700 more persons employed in Latrobe-Gippsland (SA4)<sup>6</sup>.*

The statement that there are 4,700 more persons employed in Latrobe-Gippsland is highly misleading as it conceals the job loss in Latrobe City by presenting jobs data for all six of Gippsland's LGA's including Bass Coast, South Gippsland, Baw Baw, Wellington and East Gippsland.

The Baw Baw and Bass Coast LGA's are rapidly growing municipalities with high jobs growth without LVA support. Latrobe LGA remains the primary area of disadvantage since Hazelwood closed with 1,090 jobs lost and has by far the highest small area labour market unemployment rate of 7.8 per cent.

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<sup>5</sup> LVA CEO, Mr Chris Buckingham Inquiry into the Closure of the Hazelwood and Yallourn Power Stations 2022.

<sup>6</sup> Mr Buckingham, EIC CHYPS, Questions on Notice, March 2022.

East Gippsland, Wellington and South Gippsland LGA's have suffered job losses that may be attributed to a contraction of the forest and forest products industries due to a decline in log supply (**Table 1**).

**Table 1: Job numbers and unemployment for 6 rural Gippsland LGA's**

Local Government Area (LGA)	Job numbers		Change (No)	Unemployment Dec-2021 (%)
	2017	2021		
Baw Baw	25,393	26,375	982	3.9
Bass Coast	15,285	16,052	767	5.7
South Gippsland	14,346	14,194	-152	3.4
Wellington	21,418	21,075	-343	5.1
East Gippsland	20,674	20,452	-223	6.4
<b>Latrobe LGA</b>	<b>36,959</b>	<b>35,870</b>	<b>-1,090</b>	<b>7.8</b>
<b>Total/Mean</b>	<b>134,075</b>	<b>134,017</b>	<b>-58</b>	<b>5.4</b>

There is a distinct lack of clarity in the answer provided by Mr Buckingham failed to address the question of how many ongoing jobs and how many were fulltime and how many were part time.

Some of the specifics that we hoped Mr Buckingham would have addressed in an informative answer are:

- (i) How many persons are still employed from the 1156 claimed?
- (ii) The term 'hired' does not signify an ongoing position nor part-time or full-time employment. 'Hire' may mean employed on a casual or one-off/temporary basis.
- (iii) The 730 workers being 'supported' does not equate to ongoing employment.
- (iv) How many of these 500 'infrastructure project' jobs are retained and continuous?
- (v) Latrobe-Gippsland (SA4) Labour Force Data (ABS, 2022, 3-month moving average) is measured over six local government areas.

Noting in fact, that the Latrobe City municipality including the towns of Morwell, Traralgon, Churchill, and Yallourn North sustained the greatest loss of jobs, it is misleading of the LVA to quote Latrobe-Gippsland labour force figures.

**Minority Report Recommendation 6A:** That the Victorian Government publish employment figures six monthly for the six rural LGA's (Latrobe, Baw Baw, South Gippsland, Wellington, East Gippsland and Bass Coast) and changes to employment attributed to major industry closures, such as Hazelwood and Yallourn, and the native timber industry.

**Minority Report Recommendation 6B:** That the Victorian Government work more closely with the Latrobe City Council in relation to any future Government measures to aid the region's economic transitioning given that Latrobe LGA has been most affected by past closures and is now the most disadvantaged LVA in the region.

The Latrobe City Council made the following observations:

*The closure of the Hazelwood Power Station and associated Mine in March 2017 resulted in ca.750 direct and 300 indirect job losses in the region, a decrease of \$1,220 million in output, reduction of \$255 million in demand for intermediate goods and services, and consumption effects reduced by \$103 million. Overall, the closure of the Hazelwood Power Station and Mine resulted in a decrease in total regional output of*

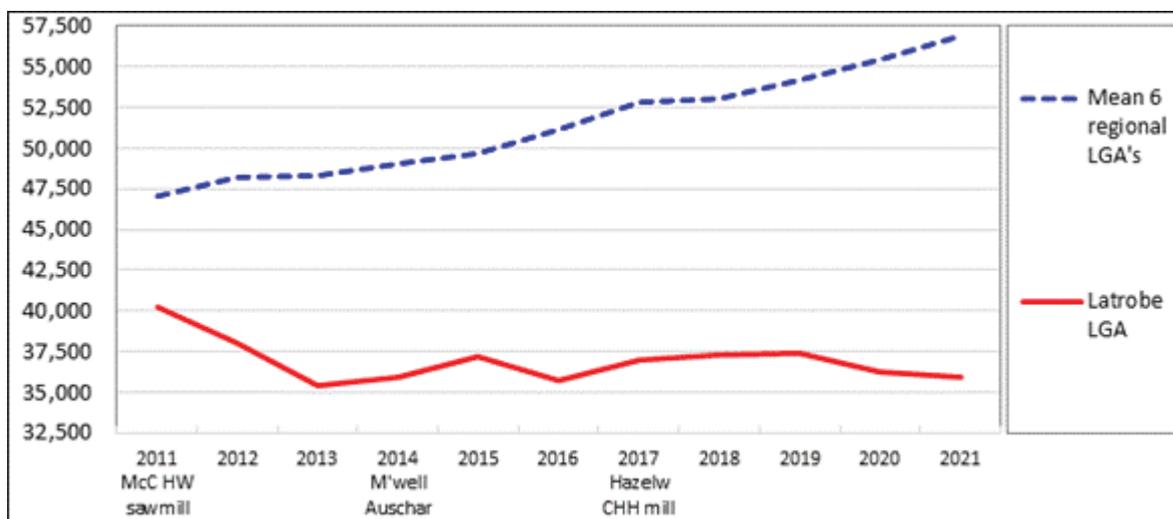
more than \$1,580 million and a decrease Latrobe City's gross regional product of \$340 million. These impacts are still deeply felt across our community and our economy<sup>7</sup>.

Australian Carbon Innovation submission stated:

*The loss of 800 to 1000 direct jobs and twice that in indirect employment caused a sharp negative impact in the Latrobe region. The investment of \$266 million by the state government does not appear to have not represented good value for money as it has not resulted in any significant growth in the region's economy.<sup>8</sup>*

Over the last decade the Latrobe LGA labour force small area labour market has declined by 4,350 jobs while on average each of the other six regions (Ballarat, Bendigo, Geelong, Mildura, Shepparton and Wodonga) have gained 10,070 jobs each (**Figure 1**). The decrease of the labour market for Latrobe LGA, is in stark contrast to other regional LGA's, suggesting the Governments transition plan and Latrobe Valley Authority (LVA) program have not generated significant ongoing employment to offset job losses from the closure of coal based assets and electricity dependent industries in the Latrobe LGA over the last decade.

**Figure 1: Latrobe LGA labour force compared to six regional LGA's (No)<sup>9</sup>**



### 3.4 The impact of the closure of Hazelwood on support businesses

The biggest failing was the lack of planning across all levels of government for an early closure of Hazelwood Power Station, which was clearly foreseeable and inevitable, given the changes that occurred in the operating environment.

*These changes included: Mine Fire Inquiry outcomes; ENGIE's global repositioning as an energy company (Carbon Trading); The age and condition of Hazelwood Assets; Increased operating and maintenance costs; Environmental pressure (Australia's dirtiest Power Station); Inconsistent Emission Policy Objectives (Carbon Pollution Reduction Scheme); increased Government Regulation and Costs (Increased Coal Royalties); Closure of Energy Brix – Customer and Auxiliary Fuel Supplier; and Deteriorating Market as a result of the impact from subsidised Renewables.<sup>10</sup>*

<sup>7</sup> Latrobe City (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations, Submission No 5.

<sup>8</sup> Australian Carbon Innovations (ACI) (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations, Submission No 17.

<sup>9</sup> Aust Government (2022). Labour Market Portal, Labour Market Insights website, Small Area Labour Markets. Annual data - means of 4 quarters. Labour force estimates that reflect the regional disparities of the Centrelink data, while being consistent with ABS Labour Force Survey estimates averaged over four quarters, to dampen the variability inherent in the small area estimates. Updated from Cameron 2022 Submission 58 Attach 2.

<sup>10</sup> Roland Davies (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations, Submission No 43

*The inquiry received unfavourable or mixed responses to the Worker Transition Scheme. While some new employment opportunities have occurred and the Worker Transition Scheme was effective, the nature of the work, net economic outcomes and job security is far lower than during the boom times when Moe, Morwell and Traralgon were thriving community hubs, generating numerous supporting employment opportunities. The Worker Transition Scheme was pretty effective, however, it was detrimental for the regions youth, as the retirements were filled by the impacted workers rather than apprenticeships and traineeships.<sup>11</sup>*

## 4. Economic Impacts of proposed closure of Yallourn in 2028

### 4.1 Energy Australia commentary on the closure of their Yallourn Power Station

Energy Australia approached the Victorian government with a plan to retire the 1480 MW Yallourn Power Station (20 per cent of Victoria's demand) and transition to cleaner energy. On 10 March 2021 Energy Australia announced a plan to<sup>12</sup>:

- Bring forward the retirement of the Yallourn power station to mid-2028.
- Provide a \$10 million package to support the Yallourn workforce.
- Build Australia's first four-hour utility-scale battery ('Wooreen') in the Latrobe Valley beside the Jeeralang gas-fired power station of 350 MW capacity by 2026, which is scheduled to be in operation before the end of 2026.

Energy Australia outlined requirements for a successful transition:

- Tailored transitional support services including those not directly employed by Energy Australia noting that workers want to remain in the Latrobe Valley.
- The LVA has an essential role to play and believe that the \$266 million provided by The Victorian Labour Government and mine rehabilitation works helped limit increased unemployment as a result of the closure of Hazelwood.
- Funding should be directed to growing existing businesses and attracting new industries to the region ahead of Yallourn's closure.
- Prioritise Yallourn workers for the rehabilitation of the Yallourn mine and operation of the new utility-scale battery.

### 4.2 Other Views on the closure of Yallourn Power Station

The closure of the Yallourn Power Station may have a greater socioeconomic impact than the closure of Hazelwood even though the direct job loss will be lower than for Hazelwood. The closure of Yallourn may see large-scale reductions in engineering and maintenance sectors, likely to lead to a 'fly in, fly out' business model; probably serviced from Melbourne, resulting in loss of high paid jobs<sup>8</sup>.

Investment in regional infrastructure will be wasted if the productive economy is ignored. The neglect of the lignite resource represents a major missed opportunity for the region, notwithstanding the current Hydrogen

**Minority Report Recommendation 1:** That for the closure of Yallourn Power Station the Victorian Government implement appropriate measures that meet current and future needs of a successful transition based on discussions with Energy Australia, impacted workers, businesses and communities. The measures shall consist of funding to Regional Development Victoria – Gippsland, to cover the development of new and expanded industries to generate new direct and ongoing jobs with a funding stream and sufficient expertise to oversee worker transitional arrangements.

<sup>11</sup> Roland Davies (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations, Submission No 43

<sup>12</sup> Energy Australia (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations Submission No 25.

Energy Supply Chain (HESC) and CarbonNet programs<sup>13</sup>. The government should consider seed funding promising technologies that demonstrate a commercial potential and the capacity to provide significant skilled and high paid jobs. These are likely to be in the advanced manufacturing and chemical conversion sectors where an inexpensive, plentiful and clean lignite resource is a major advantage. The US National Energy research organisation (NETL) recognise the potential of coal in the manufacture of advanced carbon materials from lower quality coal than Latrobe Valley coal<sup>14</sup>.

## 5. Success or otherwise of the LVA to help the region

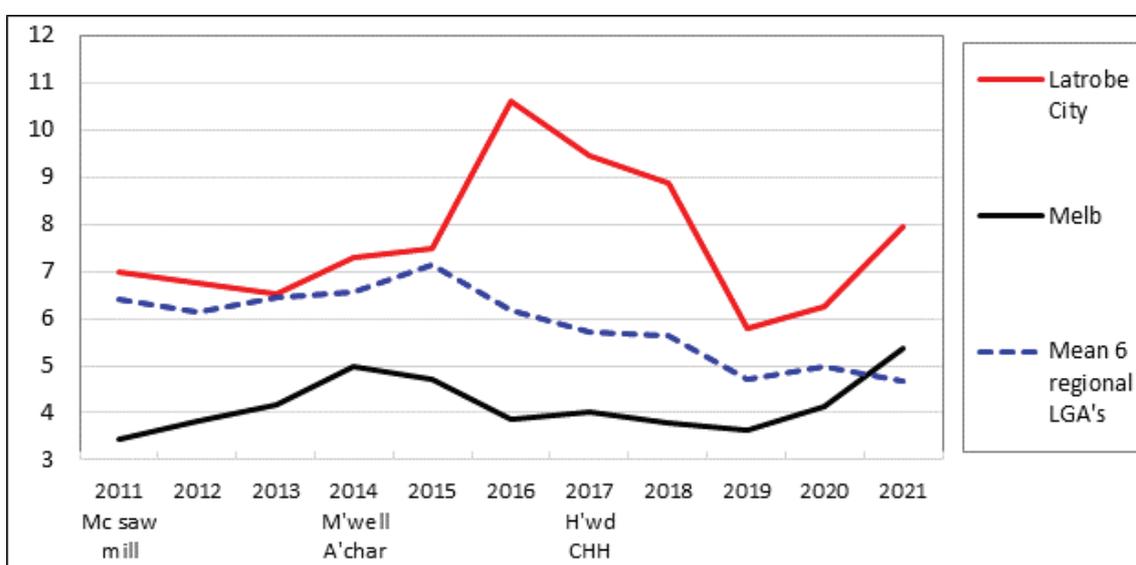
### 5.1 Victorian Government and LVA action following closure of Hazelwood was insufficient

With the closure also of McCormack Morwell hardwood sawmill (Mc saw mill) in 2011, Morwell Power and Briquette including Morwell Mine (M'well) in 2014, Auschar Morwell (A'char) in 2014, Hazelwood Power and Mine (H'wd) in 2017 and Carter Holt Harvey softwood sawmill (CHH) in 2017, probably about 10,000 job opportunities have been lost in the region (direct employment + production induced + consumption induced)<sup>15</sup>.

With the closure of so many manufacturing, mining, and power facilities within in six years of the \$266 million provided by the government and administered by the LVA was always going to be small 'Band-Aid' on a huge wound to the socioeconomic profile of the region.

Over recent years the unemployment rate in Latrobe LGA has been almost twice that of six similar regional LGA's – Ballarat, Bendigo, Geelong, Mildura, Shepparton and Wodonga and over the last decade. It is also almost twice that of Melbourne (**Figure 2**). Latrobe LGA's unemployment was 7.8 per cent at December 2021 and the equal fourth highest of 80 Victorian LGA's.

**Figure 2: Latrobe LGA unemployment rate compared to 6 regional LGA's and Melbourne (%)<sup>16</sup>**



<sup>13</sup> These projects are a legacy of the Brumby and Rudd governments and have received little support by the current government with notable exception of Minister Pallas and Minister Pakula.

<sup>14</sup> Anthony Wasiukiewicz (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations, Submission 12

<sup>15</sup> Cameron, J N (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations, Submission No 58 attachment 2.

<sup>16</sup> Aust Government (2022). Labour Market Portal, Labour Market Insights website, Small Area Labour Markets. Annual data - means of 4 quarters.

The increase in unemployment coupled with the decrease in the size of the labour market for Latrobe LGA is in stark contrast to other regional LGA's, indicating the Government's transition plan and establishment of the LVA has not generated significant ongoing employment. The LVA appears to have not had appropriate quantifiable and measurable KPI's:

**Ms BATH:** My first question is to you, Mr Buckingham — what are the three key performance indicators of what success looks like for the LVA?

**Mr BUCKINGHAM:** They sit around the **level of employment within the region**, the **engagement of people within the workforce**, our capacity to **actually meet the pipeline investments coming into the region successfully and ensuring that the prosperity that is generated by state government and private investment is actually shared in an equitable way**—or at least that the people of Gippsland have opportunity to share in that prosperity.

With unemployment in Latrobe LGA at 7.8 per cent and a decreasing workforce, Mr Buckingham's comments are contrary to the facts.

## 5.2 Andrews Government response to the closure of Hazelwood

Following closure of Hazelwood in 2017 about \$266 million of government funding was provided to the Latrobe Valley Authority (LVA) over three years for the power industry transition. The LVA boast creating 2,500 new jobs and helping generate over \$99 million of private investment in the Latrobe Valley. After presumably \$50million in admin/unaccounted costs, most of the LVA grants were invested in transitional support for impacted workers and businesses capital investment in liveability projects (**Table 2**). Most jobs were in construction with few ongoing jobs that would result from investment in manufacturing.

**Table 2: LVA investment in Gippsland**

Item	(\$M)
Back to work scheme (1245 payments)	11.2
Economic growth zone reimbursements (140 businesses)	6.9
Latrobe Valley Economic Facilitation fund (capital investment)	94.4
Economic Facilitation Fund grants	5.6
Community and Facility Fund	20.0
Sports Infrastructure upgrades (7 large projects)	73.1
Local reserve upgrades	5.0
<b>Total</b>	<b>216.2</b>

## 5.3 Community feedback on the government response

Renewable energy consultant, Jane Oakley, expressed her views on the Government's measurement of its transition performance in a private submission:

*“The Victorian Government typically counts the number of new jobs associated with its investment however, this is misleading because Government is not accounting for lost jobs therefore not calculating the region's net job position.*

*It would be beneficial if the Victorian Government shared with regional leaders' key data associated with the economic performance of the region – historical, current, and forecast. It would be advantageous for the Victorian Government in consultation with regional leaders (including community and business/industry) agree on a set of economic metrics to measure over time the health and wellbeing of our economy and communities. A model is currently under development*

*being led by Committee for Gippsland in partnership with Federation University and Regional Development Australia.”<sup>17</sup>*

Lisa Gooding, Energy Australia provided the following comments on attracting investment:

*“I think it is having all of those groups work together, all levels of government with industry and the community, talking about, ‘How do we attract that investment here? What’s needed to bring businesses here or to grow the ones that exist here so that we can create those future opportunities?’”<sup>18</sup>*

#### 5.4 Performance of the Latrobe Valley Authority (LVA)

Based on community feedback at Australian Carbon Innovation (ACI) seminars, some believe the Latrobe Valley Authority (LVA) delivered coordinated policy and program outcomes for the region. Others believe the LVA is focussed on delivering an ideological position, rides roughshod over local government and has an overwhelming negative attitude to the utilisation of lignite (brown coal). A common perception is that the LVA is captive to an agenda that does not view lignite as a mineral resource that can be developed and utilised in a low emissions, hi-tech economy.

*“The future for the region is not going to be artisan cottage industry, nor aged care and community service sectors”<sup>19</sup>.*

The Latrobe Valley Authority spent \$290M<sup>20</sup> over about five years to June 2022, but failed to minimise the impact of closure of coal mines and power stations and maximise socioeconomic opportunities leveraged off Latrobe Valley’s resources, infrastructure and skills base. The LVA should be judged on the critical outcomes it was set up to deliver, which are sustainable jobs growth (not one-offs on construction only) and reduced unemployment in the Latrobe Valley. It failed on both of these KPI’s.

We note former and current CEO’s of the LVA have close connections with the Australian Labor party.

The LVA recorded low satisfaction scores based on a survey of 141 Latrobe Valley residents conducted by the Committee. Satisfaction score were as follows:

- Immediate support the LVA provided to Hazelwood employees, contractors and their families following the announcement of its closure – **only 27 per cent somewhat or very satisfied.**
- Support the LVA provided to local businesses to help them grow and provide more employment opportunities in the region - **only 21 per cent somewhat or very satisfied.**
- Work of the LVA to identify and support growth industries in the region to help transition the economy in the light of the closure of Yallourn in 2028 - **only 21 per cent somewhat or very satisfied.**

The decrease in jobs and increase in unemployment for Latrobe LGA and the poor satisfaction scores are indicative of a government agency that lacks direction and expertise required to deliver a successful economic transition. The Latrobe Valley deserves an effective approach.

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<sup>17</sup> Ms Jane Oakley, EIC CHYPS Submission 50, 2 November 2021.

<sup>18</sup> EIC CHYPS Transcript March, 2022, Lisa Gooding, Yallourn Transition Leader, Energy Australia.

<sup>19</sup> Australian Carbon Innovations (ACI) (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations, Submission No 17.

<sup>20</sup> \$266M over the first three years plus about \$26M over 2020-21 and 2021-22.

**Minority Report Recommendation 5:** That the Victorian Auditors General's Office (VAGO) be asked to conduct an investigation into the effectiveness of the functions of RDV and LVA and recommend future arrangements that avoid duplication and maximise the proportion of funding on service delivery and streamline administration costs. (noting the Minority Report recommends to the disband the LVA)

**Minority Report Recommendation 8:** That the LVA focus on delivering effective transition plan with outcomes and not spend any of the 2022-23 Budget allocation of \$7.5 million on self-promotion with its final 12 months of funding.

## 5.5 Commentary on the LVA performance by Latrobe City Council

Latrobe City Council in its submission stated that:

*“The focus on liveability projects, while welcome to deliver positive outcomes for the community, have placed increased operational costs on Council which did not seem to be considered when the State Government were developing a program of initiatives. They also have not created ongoing jobs and employment for the region to replace the jobs lost. A codesign approach with Council and the community to transition and economic diversification may have identified these gaps and issues.*

*Latrobe City Council has had concerns about the limited consultation with Council and the local community in the aftermath of the closure of the Hazelwood Power Station and associated mine, and the lack of a measured, structured and inclusive transition planning with the focus on the region's employment and economic growth. Council as representatives of the local community were not at the table when decisions about programs and funding were being made. An illustration of the Latrobe Valley Authority's (LVA) failure fully consult with Council is the consultant's report on Latrobe City's Infrastructure Requirements that was commissioned by LVA in 2018. This report has not been made available to Council and as a result Council is having to engage consultants for a similar report in 2021. Additionally, there are many opportunities that have not been capitalised on to date to build a stronger economy such as low emissions technologies from coal using CCS, carbon utilisation, urea plants and removal of coal protection overlays. LVA support to progress these opportunities would be welcome.”<sup>21</sup>*

The Latrobe City Council submission highlights a lack of clarity in relation to effectiveness of the LVA's Worker Transition Service and mobilise existing and new industries to create new jobs.

*However, without sufficient published data, there has been significant community doubt as to the effectiveness of some of these programs.”<sup>22</sup>*

## 5.6 Commentary on the LVA performance by the Union movement

CFMMEU Victorian District Secretary Mr Geoff Dyke (dec) provided insight at a Committee Hearing:

*“The other thing was the worker transition scheme that we trialled for Hazelwood. That was partially successful. We got 90 young employee's jobs at the newer power stations and retired 90 workers. Our data suggests that we could have transferred up to 200 workers, or over 200 workers, and the scheme promised to transfer 150.”<sup>23</sup>*

<sup>21</sup> Latrobe City Council, *Submission 005*, 9 July 2022.

<sup>22</sup> Latrobe City Council, *Inquiry into the Closure of the Hazelwood and Yallourn Power Stations*, Submission 5.

<sup>23</sup> Mr Geoff Dyke, Victorian District Secretary, CFMMEU 24<sup>th</sup> November 2021

The Minority Report members acknowledged the invaluable contribution the late Mr Geoff Dyke gave to his community over many years.

### 5.7 Commentary on the LVA performance by Community groups

Latrobe Valley based renewable energy consultant, Jane Oakley in her submission to the Committee contended:

*The introduction of the Latrobe Valley Authority (post the closure of Hazelwood Power Station) presented another layer of bureaucracy and added further complexity for the region when working or engaging with State Government.*<sup>24</sup>

### 5.8 Commentary on the LVA performance by Gippsland businesses

Peter Montgomery, Managing Director, Hydraulic and Pneumatic, commented on the counterproductive outcomes to his business and its profitability of an LVA offered grant.

*“As a small business, deemed to be impacted sufficiently enough as direct result of Hazelwood closure we were able to qualify for assistance grant through LVA.*

*In compliance within the narrow guidelines of application criteria we were successful in securing funding.*

*Our experience in looking to realise benefit was very disappointing, unsuccessful. This arising from the narrow channel of compliance directed. The extensive and protracted time frame arising due to process. Totally inadequate level of funding available. Inexperience and lack of knowledge relative to our specific industry by mentors offered. Rorting of funding by service providers we were directed towards. Inflexibility of LVA to changing direction of funding toward requirement later identified in process. Critically this resulted loss of opportunity to achieve benefit within our required time frame.*

*Very considerable waste of our key personnel input and time. Loss of other considerable investment made in endeavour to arrive at beneficial outcome here. From our experience here, along with other feedback from applicants for like grants.*

*We do not see LVA in its current form of operational guidelines and budgetary constraints as beneficial in being able to provide in time or adequate assistance to assist us in transition and new business development.”*<sup>25</sup>

Peter Montgomery also commented at the hearing:

*“My observation, .... is that before any existing industry or manufacturer is shut down a new industry and manufacturer actually needs to be in place or in advanced development for any transition of skills and resources to actually occur.*

*Small and medium business is the backbone of the Australian economy, in my view. It is both innovative and resilient and it underpins the nation’s prosperity.*

- *In our experience – we had a very unpleasant experience.*
- *the conditions of the grant was that first we had to fund the investment and this would be later reimbursed on completion.*

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<sup>24</sup> Jane Oakley, Renewable Energy Consultant (and former CEO of C4G), EIC CHYPS Submission 51.

<sup>25</sup> Peter Montgomery, Managing Director, Hydraulic and Pneumatic EIC, CHYPS Submission 41 2021.

- *the referral we were put for actioning the development of websites, digital marketing and product brochure development failed miserably and was never, ever delivered.*
- *The impact of that was that we were in a position which made it necessary for us to apply for redirection for funding*
- *Then we went through a lengthy process, in terms of getting a completion, for very little result, we received final reimbursement I think in late 2019.*
- *By that time any opportunity to take advantage or have any benefit was lost*
- *because of the relatively very low value of the grant and the complexity in terms of development, it actually drew more and more on our resources, which were already stressed, and required considerably more investment, both in terms of human resources and cost associated, to even action to the unsatisfactory outcome that we had.*
- *It provided nothing for us apart from further distress and complication for the period.*

*The value of that grant was about \$71,000; \$16,000 of that went immediately to the medium in terms of conducting and establishing the qualification for the grant.*

*In fact, the investment which we have carried to date is probably around about \$250 000 on that same channel, which we have borne and carried ourselves to get some level of success and position.”<sup>26</sup>*

Australian Carbon Innovations (ACI) Chair Mr Gerry Morvell provided the following comments during a Committee hearing:

*“Where the LVA has not assisted in that process from our perspective is it has not been prepared to support those sorts of new ideas that are based on coal. The other theme that we have put forward is that this is about a transition; so it cannot be about what you have spent this year and what you spend next year, it has to be about what the plan is over the next 10 or 20 years, and that is something I do not think we have seen with the LVA funding. It has been for much shorter-term focused projects, each of which in their own right we would not debate whether they are good or bad. In fact I assume most are good.*

*But what we have not seen is, ‘What’s that decadal strategy that underpins transition?’, because that is what this is all about. It is the transition from an industrial base to something new. The renewable energy activities that have been funded to date, as much as they are good, do not generate long-term employment as a general rule.”<sup>27</sup>*

**Minority Report Recommendation 2:** That the Victorian Auditor General’s Office (VAGO) be asked to conduct an investigation into the effectiveness of the Worker Transition Service and Worker Transfer Scheme and recommend ways to improve future services and schemes. This analysis should include the extent to which affected workers’ needs and priorities have been and or are able to be met.

<sup>26</sup> Peter Montgomery, Managing Director, Hydraulic & Pneumatic Pty Ltd EIC, CHYPS Hearings.

<sup>27</sup> Transcript EIC CHYPS, Gerry Morvell, Chair, Australian Carbon Innovation.

## 5.9 Case studies of failed investment from the LVA and the Andrews Government.

### LVA's funding of Steelvision

In March 2018 Steelvision received \$400,000 in transition funding from the LVA's Economic Facilitation Fund to establish a manufacturing factory in Morwell creating 55 new local jobs. The Factory was never established and Steelvision left hundreds of thousands of dollars in debt owed to multiple Latrobe Valley businesses.

**Minority Report Recommendation 3:** That the Victorian Government will work with Energy Australia in advance of Yallourn's closure and identify affected businesses and quantify the impact of closure on those businesses.

The Andrews Government Treasurer, Tim Pallas admitted in September 2018 the Victorian Government was aware of Steelvision's financial situation prior to awarding the grant in April<sup>28</sup>.

### LVA's funding of SEA Electric

SEA Electric is another example of a failed project, promised by the Victorian Premier and funded through the LVA's Latrobe Valley Support Package. The LVA provided considerable funding (the government has refused to divulge the amount) and boasted 500 manufacturing jobs<sup>29</sup>.

Prior to the 30 October 2018, announcement, ASIC records show on 5 September an ABN called SEA Electric Vans Latrobe Valley PTY LTD was registered.

The Premier said SEA Electric it would produce 2400 vehicles a year and be the lead tenant at the Gippsland Logistics Precinct<sup>30</sup>.

**At the announcement in Morwell, Premier Daniel Andrews said,**

***"This is 500 manufacturing jobs, 500 new jobs in this proud region, putting together (electric) vehicles" and "Our announcement today, the partnership with SEA Electric, is all about making sure Latrobe Valley is the national capital for electric vehicles<sup>31</sup>".***

In early 2021 Minister for Regional Development, Maryanne Thomas revealed only four locals were employed by SEA Electric, subsidised by the LVA to drive to Dandenong<sup>32</sup>.

At a May 2022 PAEC Hearing, the Government acknowledged payments were made to the failed venture that would not be recouped<sup>33</sup>.

## 5.10 Case studies of good Commonwealth Government support for developing industries

### Australian Government funding of Energy from Waste at Maryvale

Opals Maryvale has received a \$48.2 million grant through the Australian Government's Modern Manufacturing Initiative (MMI) for a \$600 million Energy from Waste (EfW) facility that will be co-located at Opal Australian Paper Mill and reduce the site's reliance on gas and electricity and assist in securing its energy requirements into the future. Government funding of 48.2 million has leveraged \$552 million from project partners Veolia, Masdar Tribe Australia and Opal.

<sup>28</sup> Latrobe Valley Express 13 September 2018 Hazelwood Grant process questioned after Supreme Court hearing.

<sup>29</sup> [www.sea-electric.com/electric-vehicles-set-to-bring-hundreds-of-jobs-to-victoria-latrobe-valley](http://www.sea-electric.com/electric-vehicles-set-to-bring-hundreds-of-jobs-to-victoria-latrobe-valley)

<sup>30</sup> *The Age* 30 October 2018 [www.theage.com.au/politics/victoria/new-factory-to-make-morwell-electric-car-capital-as-labor-eyes-marginal-seat-20181030-p50ctn.html](http://www.theage.com.au/politics/victoria/new-factory-to-make-morwell-electric-car-capital-as-labor-eyes-marginal-seat-20181030-p50ctn.html)

<sup>31</sup> ABC 31 October 2018 [www.abc.net.au/news/2018-10-30/electric-cars-set-to-bring-500-jobs-to-latrobe-valley/10448344](http://www.abc.net.au/news/2018-10-30/electric-cars-set-to-bring-500-jobs-to-latrobe-valley/10448344).

<sup>32</sup> Hansard 4 February 2021 Answers to Constituency Questions p 333 <https://hansard.parliament.vic.gov.au/isysquery/d6ad44ae-113d-4b76-8034-9462e746caa5/9/doc>

<sup>33</sup> PAEC Hearing Thursday 19 May 2022

The project will create more than 500 jobs in Victoria and Gippsland during the construction phase, and support 450 ongoing jobs. Construction is planned to commence in 2022 with the facility starting operations in late 2025.

The EfW facility will process 325,000 tonnes of residual waste, recovering valuable energy that would otherwise be lost to landfill. It will reduce net greenhouse gas emissions in Victoria by an estimated 270,000 tonnes annually and provide a sustainable efficient waste management solution aligned to the circular economy.

The Maryvale EfW project is aligned with the principles of the circular economy and will bring state-of-the-art alternative energy technology to Gippsland. It will offer local and metropolitan councils and commercial customers a competitive waste management solution that will divert waste from landfill, reduce emissions and deliver a range of social benefits.

### **Australian Government funding of a Barramundi farm at Maryvale**

Opal Australian Paper and its project partner, Mainstream Aquaculture, have received a \$30 million federal government grant to progress plans for a \$125 million barramundi aquaculture facility.

This Commonwealth Government funding of \$30 million will leverage \$95 million from project partners. Opal hope to begin construction, pending approvals, in early 2023.

Using its existing water allocation, access to geothermal energy, heat and manufacturing biproducts, Opal plans to create the world's largest land-based barramundi production platform.

Expanding on Opal's local footprint, logistical advantages, including proximity to markets, this well-planned project is expected to create 88 ongoing permanent jobs and 89 positions during the construction phase.

Heat from the Maryvale Mill will be used to grow barramundi (**Figure 3**). Excess heat from the mill will be used to warm water to about 30 degrees Celsius for the barramundi to grow in. Opal currently operates substantial cooling towers to cool water from turbines, so rather than running those cooling towers Opal will construct several heat exchangers to transfer the heat across to heat the in-coming freshwater for the fish. The facility will reduce Australia's reliance on imported fish.

**Figure 3: Proposed Latrobe Aquaculture project at Maryvale Mill.**



**Minority Report Recommendation 4A:** That the Victorian Government undertake an analysis of future Latrobe Valley job creation opportunities and prepare a strategic plan for employment in the Latrobe Valley in consultation with Energy Australia and release a detailed jobs plan to the public by June 2023.

**Minority Report Recommendation 4B:** That the Victorian Government undertake an analysis of future transitional services and training requirements vital to support workers following the closure of Yallourn and prepare them for new job opportunities. Release a detailed transitional training plan to the public by June 2023.

## 6. Local employment in renewable energy

Currently, little of the clean energy supply chain is manufactured in Australia and none in Gippsland (Table 3).

**Table 3: Employment in manufacturing, construction, and operation of renewable energy<sup>34</sup>**

Energy source	Manufacturing Overseas (Job-Year/MW)	Manufacturing Australia (Job-Year/MW)	Construction (Job-Year/MW)	Operation & Maintenance (Job-Year/MW)	Manufacturing in Australia (%)
Wind	1.3	0.4	2.8	0.2	24%
Utility Solar	4.3	0.1	2.3	0.1	2%
Rooftop PV Solar	4.2	0.2	5.8	0.2	5%
Utility batteries	6.3	0.3	4.7	1.2	5%
Distributed batteries	6.3	0.3	5.6	0.3	5%
Hydro	2.8	0.7	7.4	0.1	20%
Pumped Hydro	2.8	0.7	11.1	0.2	20%
Mean					<b>11%</b>

## 7. Latrobe Valley Brown Coal Resource

The region needs new project developments that are similar in nature to a Power Generation project, and leverage off brown coal, as the source Latrobe Valley region contains 200 billion tonnes of brown coal with ca. 33 billion tonnes economically winnable.<sup>35</sup>

**Table 4: SWOT analysis of Latrobe Valley brown coal (Lignite)<sup>36</sup>**

<b>Strengths</b> Abundant (energy) resource Cost as an energy in \$/gigajoule is world class Processing well understood & skills exist in the region	<b>Weaknesses</b> Poor reputation of brown coal based on past use Difficult to raise finance for coal-based projects Need a CCS Hub to underpin any new development
<b>Opportunities</b> Technologies deliver net zero emissions (CCS, CCUS) Import replacement - Equivalent products are imported New opportunities from downstream processing	<b>Threats</b> LV Lignite becomes a stranded asset without new use Community pushback against utilization of coal Coal access requires support from existing operators

Brown coal is an energy rich resource and Victoria brown coal is Australia's second largest energy resource with a potential Gross State Product (GSP) of \$3,400 billion. Brown coal can be used to produce a range of

<sup>34</sup> Clean Energy Council (2021). Submission No 80 to LC EPC Enquiry into Renewable Energy in Victoria. Dec 2021.

<sup>35</sup> Gippsland Infrastructure (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations, Submission No 43.

<sup>36</sup> Derived from Gippsland Infrastructure (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations, Submission No 43.

contemporary products beyond electricity, with many of the products produced overseas and imported to meet Australia's domestic needs (fuels, fertilisers, carbon products).<sup>37</sup>

## 8. Potential uses of Lignite

### 8.1 Latrobe Valley Lignite can be greenhouse friendly

Lignite is essentially a mixture of carbon, organic compounds, and water and by itself is not a greenhouse gas. Atmospheric emissions only occur from the combustion of lignite. Unlike many black coal deposits, the lignite in Latrobe Valley does not contain any significant greenhouse gases (primarily methane) that could be released during mining.<sup>38</sup>

Lignite is an undervalued carbon resource that has the potential to be upgraded to a wide range of carbon-based products. Victoria's power industry has been based on the inefficient combustion of lignite containing two-thirds water. After drying Victorian lignite is a very clean source of carbon, with an internationally low level of mineral impurities. The potential for upgrading Victorian lignite is enhanced by CO<sub>2</sub> capture, use and storage infrastructure in the Latrobe Valley. The Latrobe Valley could not be home to an industrial complex of high-value, low-emissions carbon manufacturing industries<sup>39</sup>.

*"A complete shut-down of lignite power stations would have a devastating social impact in the Gippsland region, and for the Latrobe Valley community in particular. There is a risk that the lignite resource could become a stranded asset, causing a significant loss of revenue for the State. In order to reduce these risks, it is important to actively investigate new uses for the lignite resource; uses that will be sustainable in a low emissions future."*<sup>40</sup>

*"ACI (Australian Carbon Innovations) does not accept the validity of the strategy that it is acceptable to continuing the use carbon-based goods and products by reducing domestic manufacturing to meet emission reduction targets and then importing from manufacturers in other countries which do not have the same emission reduction strategies, and which results in higher levels of atmospheric emissions."*<sup>40</sup>

*"Whilst economists and others use the terminology of "decarbonise the economy" when espousing a sustainable future, this reflects failure to understand a fundamental fact that life on our planet is carbon based and carbon itself is not the problem"*<sup>41</sup>.

### 8.2 There are a wide range of potential uses for Lignite

For example, dried lignite can be gasified to produce synthesis gas, or syngas, a mixture of hydrogen and carbon monoxide. Syngas can be further reacted with water to produce more hydrogen and carbon dioxide, as will be done in the HESC Project. Alternatively, it can be converted to a range of commodity chemicals and monomers for the plastics industry. Dried lignite can also be converted to specialty carbon products, fuels and agricultural products (**Figure 4**).

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<sup>37</sup> Australian Carbon Innovations (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations Submission 17.

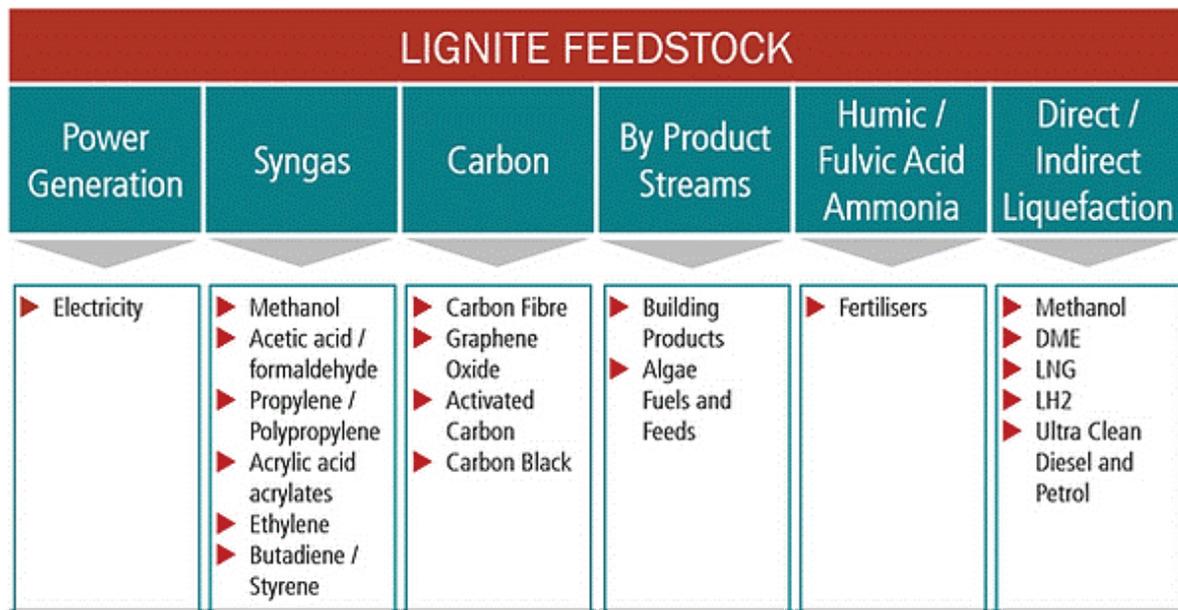
<sup>38</sup> Australian Carbon Innovation (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations Submission 17 including attachment 1.

<sup>39</sup> Australian Carbon Innovation (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations Submission 17 including attachment 1.

<sup>40</sup> Australian Carbon Innovation (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations Submission 17, attachment 1.

<sup>41</sup> Australian Carbon Innovations (ACI) (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations, Submission No 17.

**Figure 4: Carbon-based products that can be produced from Lignite (Brown Coal) <sup>42</sup>**



Lignite can be used as a heat source in the production of the glass panels used in solar collectors and reducing agent in the production of steel. Lignite can be used in solar panels and wind turbine towers with carbon fibres, used in wind turbine blades and lightweight transport components. Lignite can be converted into plastics and graphene oxide, which can be used to produce flexible solar panels, lithium-ion battery electrodes, printable batteries and supercapacitors. Lignite can also be converted to hydrogen, which can be used in fuel cells and hydrogen turbines, and further upgraded to a host of chemical products<sup>42</sup>.

Production of low-emissions carbon products from such raw materials requires CO<sub>2</sub> capture and storage (CCS). The Global CCS Institute’s reports that CCS has been working safely and effectively for 45 years. There are now 18 large-scale facilities in commercial operation around the world. In Victoria, the CarbonNet Project, CSIRO and CO2CRC are at the forefront of CCS development<sup>42</sup>.

### 8.3 Australian Carbon Innovations

Australian Carbon Innovation (ACI) was established by the Victorian Government in 2009. Over the past decade, ACI and its forerunner, Brown Coal Innovation Australia (BCIA), have established a proven track record in management of lignite research on behalf of the Victorian and Commonwealth governments. ACI is an independent, not-for-profit company with the mission to invest proactively in the development of technologies and people to broaden the use of lignite for a sustainable future. The work of the ACI over the past 12 years has evolved as options were explored and assessed as having either potential as a future industry in the Latrobe Valley or rejected as not viable either on technical or economic grounds.<sup>43</sup>

Over the past decade, Australian Carbon Innovations (ACI) and its forerunner, Brown Coal Innovation Australia (BCIA), has leveraged combined government funding of \$19M into a \$59M low emissions lignite research portfolio, involving nearly 50 local and international government, industry and research organisations<sup>43</sup>.

<sup>42</sup> Australian Carbon Innovations (ACI) website 16/3/22. ACI was established by the Victorian Government in 2009 as an independent organisation to support innovation and research on the utilisation of Victorian lignite new and innovative products and is funded by State and Commonwealth governments. Matching funding and participation comes from industry.

<sup>43</sup> Australian Carbon Innovation (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations Submission 17 including attachment 1.

The ACI research has created a pool of talented expertise, primed to take advantage of the new opportunities opening. There are cutting-edge projects currently under way which lay a foundation for future developments. ACI is seeking continued investment in lignite research and development by the Victorian and Commonwealth governments.<sup>43</sup>

ACI is confident that there can be a bright future for Victorian lignite even in the context of net zero greenhouse gas emissions. There are potential technologies that produce little or no CO<sub>2</sub> while adding value to lignite. Where upgraded products do have a CO<sub>2</sub> footprint, Victoria is blessed with excellent geological CO<sub>2</sub> storage capacity, enough to last for hundreds of years. The ability to safely and permanently store captured CO<sub>2</sub>, in a location close to the lignite reserves, provides a unique opportunity to develop new low-emissions industries in the Latrobe Valley to provide employment in skilled, highly paid, interesting, hi-tech jobs.<sup>43</sup>

ACI funding has been limited.

**Minority Report Recommendation 11:** That Governments increase funding to ACI given their potential to create new industries with ongoing jobs.

## 8.4 Carbon capture, utilisation and storage

Carbon capture, use and storage (CCUS), is an important emissions reduction technology that involves the capture of carbon dioxide (CO<sub>2</sub>) from fuel combustion or industrial processes, the transport of CO<sub>2</sub> via ship or pipeline, and use as a resource to create valuable products or services or its permanent storage deep underground in geological formations. CCUS technologies provide the foundation for carbon removal or “negative emissions” when the CO<sub>2</sub> comes from bio-based processes or directly from the atmosphere.

The Energy Industry has been pursuing options to mitigate emissions including pre or post combustion capture, beneficial CO<sub>2</sub> reuse, CO<sub>2</sub> mineralisation, bio sequestration and process improvements.<sup>44</sup>

Victoria has excellent Geo-sequestration potential in sandstone formations and deep saline aquifers, which are being advanced to commercial status through the CarbonNet Project. Several trials are being undertaken to improve the natural performance of plants to terrestrially bio-sequester CO<sub>2</sub> leading to improved cropping performance and soil condition.<sup>4535</sup>

**Minority Report Recommendation 12:** That the Victorian Government support the establishment of a Carbon Research and Innovation Centre as proposed by Australian Carbon Innovation and Federation University with the proviso that it have strong industry participation and focus on the entire chain from fundamental research → applied research → development → pilot trials → commercialisation.

## 9. Renewable Energy

The Australian Governments whole-of-economy Long-Term Emissions Reduction Plan (the Plan<sup>46</sup>) sets out how Australia will achieve net zero emissions by 2050 based on five key principles:

- Technology not taxes – no new costs for households or businesses.
- Expand choices, not mandates – expand consumer choice.
- Drive down the cost of a range of new energy technologies – bringing a portfolio of technologies.

<sup>44</sup> Gippsland Infrastructure (2021). LC EIC Inquiry into the closure of Hazelwood and Yallourn power stations, Submission No 43.

<sup>45</sup> Australian Carbon Innovation (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations Submission 17 including attachment 1.

<sup>46</sup> Australian Government (2021). Australia’s long term emissions reduction plan - A whole-of-economy Plan to achieve net zero emissions by 2050.

- Keep energy prices down with affordable and reliable power – secure Australia’s advantage in affordable and reliable energy, protect industry competitiveness and associated jobs.
- Be accountable for progress – set ambitious yet achievable whole-of-economy goals, then beat them, consistent with Australia’s approach to Paris Agreement targets.

The technologies include:

- Clean hydrogen.
- Ultra low-cost solar.
- Energy storage for firming.
- Low emissions steel.
- Low emissions aluminium
- Carbon capture and storage
- Soil carbon.

The Commonwealth Government’s transitional investments include:

- \$48.2 million grant through the Modern Manufacturing Initiative (MMI) for Opal Australia’s Energy from Waste project.<sup>47</sup>
- \$30 million to establish an indoor barramundi aquaculture farm at Opal Maryvale, Morwell.<sup>48</sup>
- Up to \$2.98 million for Zero Degrees Rosella 1 Pty Ltd’s Latrobe Valley Blue Hydrogen.<sup>49</sup>

## 10. Solar Energy

### 10.1 Advantages and disadvantages of solar energy

The Clean Energy Council welcomed the Commonwealth Roadmap’s recognition of the crucial role that solar will play in Australia’s and the world’s clean energy transition and commend the ambition for Australia to make a direct contribution to achieving ‘ultra-low-cost solar’. The recently announced ARENA funding round will not only focus on the efficiency of solar cells but also on the total system build and operation deepening Australia’s participation in solar supply chains.

**The Liberals and Nationals members welcome the Commonwealth Government and Clean Energy Councils recognition of the need for increased domestic manufacturing of solar panel components.**

### 10.2 Stewardship and Recycling of Photovoltaic panels

As Victoria moves to increased renewables in the form of photovoltaic (PV) solar panels, an appropriate system for stewardship and recycling of the PV panels must be set in place.

Recovery Corporation (a Clean Energy Council CEC member company) has partnered with a European technology developer and is importing processing machines for recycling of photovoltaic (PV) panels with 99 per cent+ material recovery rates for deployment in 2022. Once the recycling, collection, and transport infrastructure for end-of-life (EOL) PV panels is in place, there will be an important role for Commonwealth, State, and local governments to encourage use of the recycling facilities. Victoria should consider the lessons that can be learned from the EU experience to prevent disposal of PV panels to landfills. Planning approval processes for large-scale solar farms could be leveraged to accelerate solar panel stewardship. The Commonwealth Government could also consider its role in the setting of eligibility requirements for access

<sup>47</sup> Hon Darren Chester, media release: Backing Latrobe Valley Manufacturing, April 29, 2022.

<sup>48</sup> Hon Darren Chester, Media release: Valley lands a big barra May 11, 2022.

<sup>49</sup> Hon Angus Taylor, Media Release Backing clean hydrogen and carbon capture in Gippsland. May 9, 2022.

to the rebate schemes it administers, and whether they could be leveraged to accelerate solar panel stewardship<sup>50</sup>.

The value of recovered materials from recycling PV panels does not exceed the cost of recycling and while it is still possible to dispose of panels cheaply in landfill, the cost of managing legacy / orphan panels will continue to be problematic<sup>50</sup>.

For effective environmental planning of renewable energy in Victoria the Liberals and Nationals Minority Report Recommendation 3<sup>51</sup> recommends introducing remediation bonds for large-scale solar energy facilities. We extend that here to embrace wind farms and large scale battery facilities.

**Minority Report Recommendation 13:** That the Victorian Government introduce bonds (similar to retiring coal fired power plant bonds) for large-scale solar energy, wind farms and large-scale battery facilities to ensure sufficient funds are available for site rehabilitation.

## 11. Wind power

### 11.1 Land based wind turbines

Rural communities question the development of more land based wind farms because of the adverse health and environmental impacts, including the sound, clearing forests for the towers and loss of wildlife.<sup>52</sup>

Local community groups have raised concerns with land-based windfarms. Strzelecki Community Alliance (SCA) is an incorporated Entity of over 1000 community members who live or hold property in the Yinnar, Boolarra, Hernes Oak, Mirboo North area of Gippsland. SCA opposes a proposed 33 wind turbine Delburn development, citing several valid concerns, including, concerns of an inability to adequately mitigate bushfire risk on Hancock Victoria Plantation land situated underneath the wind turbines.

A submission to the Delburn Wind Farm Planning Report highlights a significant bush fire risk.

*The CFA submitted the planning permit conditions proposed by FRC such as access tracks are only likely to be effective on Fire Danger Rating days of Low to Moderate and High. It said the Project is likely to be impacted at some stage by uncontrollable landscape bushfires; fires that cannot be managed by site-based mitigation or of broader emergency management. It said “damage and destruction of assets by bushfire is likely if the proposal proceeds”<sup>53</sup>.*

Another submission to the Inquiry by David Packham indicated that there is a significant risk of the wind turbines being the source of ignition for bushfires, citing examples of turbines catching fire.

**The Minister for Planning has provided approval for the development and the SCA community has requested a halt to proceedings.**

### 11.2 Offshore Wind farms

While offshore wind remains considerably more expensive than onshore wind, there have been major cost reductions achieved, most notably within the UK as a result of the UK Government’s renewable energy support scheme which has set a target of deploying 40 GW of offshore wind by 2030 with the expectation

<sup>50</sup> Clean Energy Council (CEC) (2022). Submission to the Department of Agriculture, Water and the Environment consultation paper: Stewardship for Consumer and other Electrical and Electronic Products. 28/2/22.

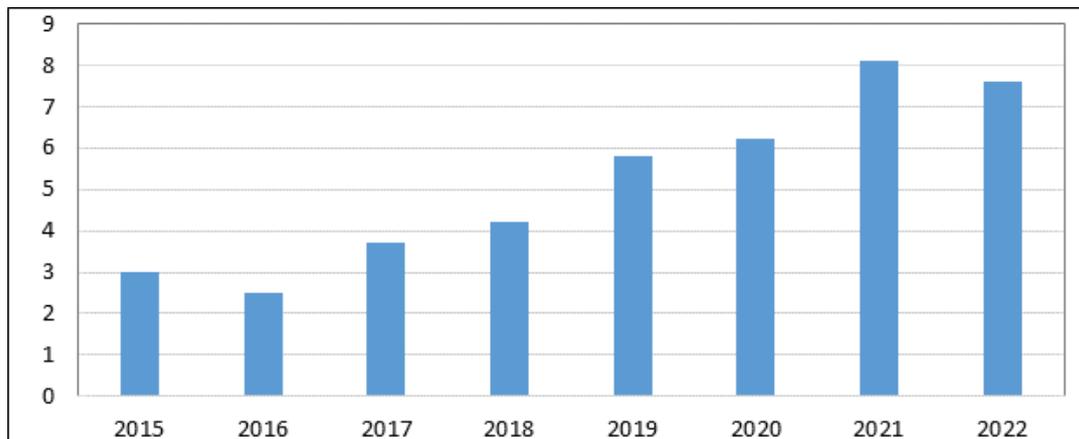
<sup>51</sup> EPC Renewables in Victoria, Liberal and Nationals Minority Report, 2022.

<sup>52</sup> Plimer, I (2018). Connor Court Publishing. 2<sup>nd</sup> printing.

<sup>53</sup> [https://www.planning.vic.gov.au/\\_data/assets/pdf\\_file/0030/564852/Delburn-Wind-Farm-Panel-Report-.pdf](https://www.planning.vic.gov.au/_data/assets/pdf_file/0030/564852/Delburn-Wind-Farm-Panel-Report-.pdf) page 117.

offshore wind to be cost competitive with onshore wind by 2030. Offshore wind has taken off globally over the past 7 years, with probably 41GW now installed worldwide (2022 may be up to 10GW) (Figure 5) <sup>56</sup>.

**Figure 5: Global annual offshore wind capacity additions (GW) <sup>56</sup>**



To facilitate the regulation and oversight of new offshore wind technologies and infrastructure, the Commonwealth Government implemented the Offshore Electricity Infrastructure Act 2021, having attained Royal assent on December 2, 2021, it will come into effect by June 2022<sup>54</sup>.

The legislative framework enables the development of new energy projects while safeguarding the environment, securing the health and safety of workers and protecting other maritime stakeholders. This legislation will accelerate a number of key projects already under development, including:

- Star of the South in Victoria
- Sun Cable’s project in northern Australia
- The Marinus Link transmission line will connect the mainland to Tasmania’s Battery of the Nation Project<sup>55</sup>

Any comment from the Andrews Government about offshore wind renewable energy comes after Commonwealth Government legislated and five years after Star of the South commenced consultation with the community, industry, and Government.

## 12. Electricity Storage

There are many cost-effective thermal energy storage solutions commercially available that can be used at grid scale and behind the meter to shift peak load. Mechanical and gravitational storage is also undergoing significant innovation, particularly at the grid scale. Traditional gravitational storage using pumped hydro can provide flexible ‘peaking services’ to meet rapid changes in energy demand as well as prolonged periods of energy supply shortfall due to reductions in wind and solar output. This capability is integral to managing the transition to generation dominated by variable wind and solar generation. With fast-start and fast-ramping characteristics, hydropower can also respond rapidly to dynamic changes in our energy system for as long as is necessary to keep the lights on<sup>56</sup>.

Large-scale energy storage (battery or pumped hydro-electricity) will play an important role in creating a flexible and reliable energy system and supporting the rapid deployment of variable renewable energy

<sup>54</sup> Offshore Electricity Infrastructure Act 2021, Commonwealth Parliament.

<sup>55</sup><https://www.industry.gov.au/news/new-laws-to-support-offshore-electricity-infrastructure>

sources, particularly wind and solar generation likely to be important contributors to the future of the energy system.

Traditional hydro and pumped hydro projects are complex projects with long project development lead times and there is investor uncertainty around necessary government approvals. There is a need for policy settings that value the benefits of hydropower’s system services including fast frequency response and inertial response, flexible capacity, operating reserve and/or ramping capability. While there has been some increase in the number of financial commitments to battery storage, the level of investment remains relatively low and will continue to be until market reforms are implemented and/or the cost of new storage capacity falls. The Roadmap should continue to support the accelerated deployment of cost-effective electricity storage solutions<sup>56</sup>.

### 12.1 Pumped Hydro Storage (deep storage for firming power)

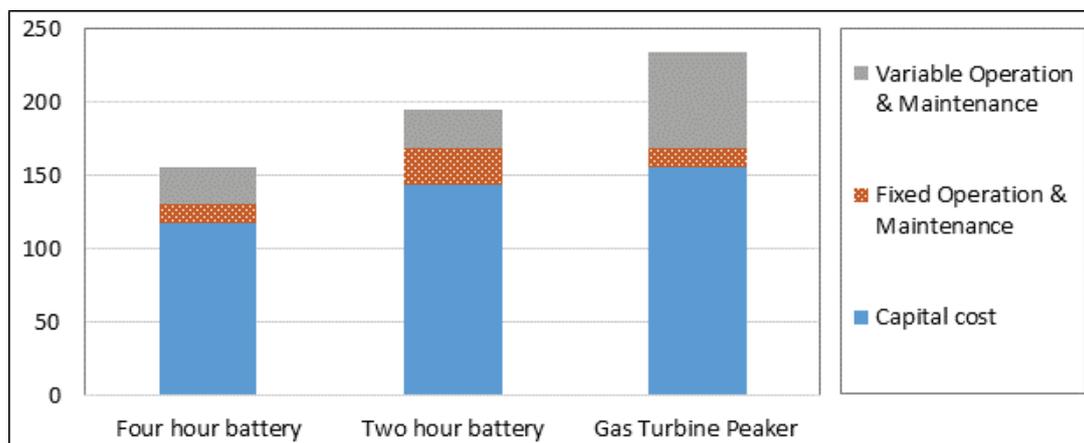
There is a need for greater Victorian Government support for new investment in deep storage by pumped hydro given the poorer operational performance of battery storage (shallow storage) and potential adverse socioeconomic and environmental risks associated with battery manufacture, recycling and disposal. Development of new pumped hydro projects in Gippsland would provide an excellent opportunity to transition Hazelwood and Yallourn power industry employees into new jobs.

Australian National University, Professor Blakers in a submission to the Inquiry on Renewable Energy paints a sufficiently bright future for deep storage by pumped hydro. A detailed comparison of the operating cost-effectiveness and socioeconomic and environmental risks of pumped hydro vs battery storage is required. The Victorian government appears to be supporting storage using imported batteries containing Lithium.

### 12.2 Battery Storage (shallow storage for 2 to 4 hours)

Private investors are gaining confidence to commit utility-scale battery projects. Batteries are now being used to improve the performance of existing fossil assets, for example by reducing starts/stops of gas peakers as well as being effectively integrated with solar and wind projects. The Commonwealth Roadmap stretch target of \$100/MWh for firmed electricity from lithium-ion batteries is a stretch target that requires a 50 per cent cost reduction for a two-hour battery and a 35 per cent reduction for a four-hour battery but based on CEC data is competitive with Gas Turbine Peaker<sup>56</sup> (Figure 6).

**Figure 6: Levelised cost of lithium-ion batteries and a gas turbine peaker (A\$/MWh)<sup>56</sup>**



<sup>56</sup> Derived from Clean Energy Council (CEC) (2022). Submission to Department of Industry, Science, Energy and Resources, Australian Government’s Technology Investment Roadmap. 14/2/22. (Open-cycle gas turbine peaker).

## 13. Hydrogen Energy

### 13.1 Hydrogen Energy Supply Chain (HESC) Project

The consortiums<sup>57</sup> world-first HESC Project has safely produced liquefied hydrogen from Latrobe Valley brown coal and successfully transported it to Japan.<sup>58</sup>

The HESC Pilot has investment of \$500 million (Victorian and Australian Governments \$50 million each) and **created approximately 400 indirect and direct jobs in Victoria, the majority in Latrobe Valley.**

It is also stimulating world-first hydrogen research, building new knowledge, and developing adaptable infrastructure. There is opportunity to move a commercial operation.

The CarbonNet CO<sub>2</sub> storage Project is developing in parallel with HESC. If both projects are commercialised, CO<sub>2</sub> captured during hydrogen production would be transported and stored by CarbonNet in the depleted oil and gas reserves in Bass Strait.

The CarbonNet Project has successfully achieved several major milestones and is on track to enable a low emissions future for the state of Victoria and provide economic growth to the region.

HESC has a commercial hydrogen production estimate of 225,000 tonnes pa. This is estimated to reduce global CO<sub>2</sub> emissions by some 1.8 million tonnes per year – the equivalent to emissions of 350,000 petrol driven cars– enabling the region to play a part in achieving Australia’s net zero emissions by 2050 commitment.

Captured carbon dioxide (CO<sub>2</sub>) from the Hydrogen (H<sub>2</sub>) production can be used for other products such as manufacture of fertiliser, building products, F&B, and fish proteins.

### 13.2 Opportunities for wise investment - Green Hydrogen

Citing the European Union’s seven-year investment timeframe, the Gippsland Circular Economy Precinct (GCEP) submission emphasised the need for long funding investment from the State Government over short term commitments.

*We note the European Union’s continued investment in and work, built on a seven-year investment timeframe, with a pathway of innovation, intervention, trial and research, leading into longer term strategy, policy and investment cycles that leads to structural and systemic change in regions, industries and communities.*

*We encourage the State Government in its various functions and silos to reflect on the impact of political positioning and short-term commitments and its capacity to drive long term change for the benefit of our climate and community.*

This collaborative Gippsland consortia makes a strong argument for government seed funding in the renewable energy economy, and specifically green hydrogen.

*GCEP is acting now, bringing together a consortium of local and global businesses to drive manufacturing, production and use of green and sustainable hydrogen into an integrated domestic hydrogen economy.*

*Seed investment from government, strategically invested with industry, such as the GCEP Consortium, will deliver jobs and investment immediately.*

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<sup>57</sup> The consortium includes Kawasaki Heavy Industries, Ltd (KHI), Electric Power Development Co., Ltd. (J-POWER), Iwatani Corporation (Iwatani), Marubeni Corporation (Marubeni), AGL Energy (AGL), Sumitomo Corporation (Sumitomo), Royal Dutch Shell (Shell), ENEOS Corporation, and Kawasaki Kisen Kaisha, Ltd. (K-Line).

<sup>58</sup> Kawasaki Heavy Industries (2021). LC EIC Inquiry into the Closure of the Hazelwood and Yallourn Power Stations Submission 29.

GCEP and our consortium partners are driving and facilitating industry investment in jobs and manufacturing capability in renewable energy.<sup>59</sup>

**NET ZERO BY 2050!!!**

## 14. The Victorian Forestry Plan

The Victorian Labor Government's announced in 2019 that it would phase out the native timber industry with a full shut down by 2030. The Liberals and Nationals believe there is a strong case for continued access to the 6 per cent or 415,000 hectares of our 7.5 million hectares for the sustainable production of native timber .

A Parliamentary Report highlighted the fact that the Victorian Forestry Plan is flawed and will not deliver the environmental outcomes it purports, nor will new plantations ensure sufficient wood volume to accommodate the loss of Victoria's sustainable native timber industry<sup>60</sup>.

- *The Forestry Plan will have an adverse impact on scale economies in agriculture because it is based on converting 70,000 to 140,000 hectares of farmland to plantations.*
- *Past native timber access policy, exacerbated by bushfires, has resulted in the loss of \$6.6 billion Gross Regional Product and 5,560 jobs over the last 20 years from native forest timber.*
- *The 'Forestry Plan' is likely to contribute to a further loss \$5.6 billion in Gross Regional Product and the loss of another 3,660 jobs over the next twenty years in disenfranchised rural communities, already severely impacted by reducing native log supply and recent fire, floods and a pandemic.*

A detailed submission described the insurmountable challenges of implementation of the Forestry Plan:

*"The Victorian Forestry Plan fails to acknowledge the current decline in plantation supply and the considerable and possibly insurmountable challenges to establishing new plantations. The 'Forestry Plan' also ignores the 20 to 30 year lead time required. The challenges include very limited availability of suitable land, high land cost, poor plantation log quality, unsuitability of plantation sawlogs for existing mills and the large scale required for returns on investment in new mill technology. Replacing native forest timber with new plantations on farmland threatens to push up farmland prices, crowd out farmers and will lead to diminishing scale economies in agricultural production and food processing. Farmland in Gippsland is scarce."<sup>61</sup>*

A veteran of thirty years' experience in the timber industry, Mr Ian Reid informed the Committee of the flawed nature of the Victorian Government's decision to close the native timber industry.

*"As a resident of the Latrobe Valley for over 35 years and being involved in the timber industry for 30 years I have seen many of the natural advantages of the area compromised and are concerned that if this trend continues the cost to both the valley and Victorian economy will be high. I work in the timber industry as a harvesting contractor working predominately in the Gippsland pine and hardwood plantations owned by HVP.*

*By growing the timber resource base an opportunity will be created to use this renewable resource as a raw material for the further development and opportunities for employment within the Latrobe Valley replacing and growing jobs and economic activity lost through the closure of the Hazelwood and Yallourn power stations.*

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<sup>59</sup> Gippsland Circular Economy Precinct, EIC CHYPS, Submission 44, 2021

<sup>60</sup> Victorian Parliamentary Inquiry into Ecosystem Decline, The Nationals and Liberals Minority Report, Chapter 6

<sup>61</sup> CHYPS Submission 58, John Cameron, 16 December 2021.

*It's a shame the short-sighted decision to stop native logging by 2030 will mean the loss of a significant renewable resource that could have been available for future opportunities with the continued innovation and technology advances for the use of timber (eg Cross laminated timber, reusable paper bags as a replacement of plastic bags, etc).*

*The plan to stop timber from native forests is flawed due to:*

*1) there is not enough time to replace this resource with the planned promise plantation development. Even with trees planted today there will be a gap of 10-20 years before they could begin to replace the native resource*

*2) The native areas being locked up are regrowth timber anyway, with the lack of management of this resource it will end up being a severe fire risk and is likely to be destroyed by bush fire within 20 years of lock up.*

*3) Gippsland is well suited due to soil, weather, and rainfall to grow quality trees".<sup>62</sup>*

Mr Geoff Dyke shared his sentiments on the Victorian Government's appalling decision to shut the native timber industry.

*"I think it is a disgrace to shut down the timber industry. I will be blunt. We have 7.1 million hectares of native forest, we have got some of the best timber in the world, and we are importing timber and we are putting timber workers out of work. I just think it is disgraceful."<sup>63</sup>*

**Minority Report Recommendation 9A:** That the Victorian Government discard the Victorian Forestry Plan and continue with sustainable harvesting of native forests. The Victorian Government must work with VicForests to continue to maintain practices which enhance healthy, sustainable, and productive forest systems.

## 15. The way forward

The Liberals and Nationals members support a transition to renewable energy. Government investment in Latrobe Valley must harness natural resources, infrastructure advantages and a skilled and ready workforce.

Closing coal fired power stations before sufficient transmission infrastructure to link renewable energy projects, adequate local component manufacturing and appropriate recycling facilities are established, has risks.

An opportunity exists to assist local manufacturers to make components for renewable energy and replace imports. Currently only 11 per cent of components for renewable energy are manufactured in Australia (e.g. solar panels, wind turbines).

Victoria also needs to ensure electricity as the cornerstone of manufacturing remains reliable and priced competitive.

### 15.1 Some renewable options that warrant closer examination

Hydro electricity and hydrogen have potential for renewable energy with greater Australian-made content, without the challenge of developing recycling for solar panels or wind turbine blades. Hydro (currently 20 per cent Australian manufactured) and hydrogen have potential to use Gippsland resources and create more local jobs than solar power (only 2 per cent to 5 per cent of components manufactured in Australian) and warrant closer examination.

<sup>62</sup> Mr Ian Reid, Submission 26, EIC CHYPS 2021.

<sup>63</sup> Mr Geoff Dyke, CFMMEU, EIC CHYPS, Transcript 2021.

Pumped hydro deep storage (currently 20 per cent Australian manufactured) has potential for firming power that is much more effective than shallow storage by batteries (only 5 per cent of components manufactured in Australian) and potentially offers socioeconomic, environmental and geopolitical advantages.

Carbon capture and storage or (geo-sequestration along with forest/farm/soil bio-sequestration offer ways in which Latrobe Valley's huge Lignite resource can be used as a feedstock for renewable energy such as blue-green hydrogen, carbon fibre and fertiliser.

Support for a recommendation of technologies and people to broaden the use of lignite for a sustainable future came from several submissions, for example:

*"The region needs new project developments that are similar in nature to a Power Generation project, and the continued leveraging of brown coal as the energy source. An obvious pathway would be a Hydrogen Production Facility utilising brown coal as the feedstock. A domestic Hydrogen facility would support the development of downstream processing facilities to produce valuable commodities for the State such as Ammonia and/or Urea Fertiliser."*<sup>64</sup>

## 15.2 Energy Australia's plan

On 10 March 2021 Energy Australia<sup>65</sup> announced its plan to:

- Bring forward the retirement of Yallourn Power station to mid-2028.
- Provide a \$10million package to support the Yallourn workforce.
- Build Australia's first four-hour utility scale battery ('Wooreen') of 350MW capacity by 2026 which is scheduled to be operating before the end of 2026.

## 15.3 Some suggestions from the community on shaping the way forward

Gippsland Regional Executive Forum, Chair John Mitchell proposed the need for local peak body champions to be at the centre of discussions with government.

*"The Gippsland Regional Executive Forum (GREF) is one of three self-funded (3) Regional Executive Forums (REF's) established in Victoria, under the auspice of The Champions of The Bush. The REF's aim to provide effective business networks, undertake professional development, and advocacy in respect to regional investment facilitation, and policy/regulatory frameworks.*

*The GREF has 21 members, and each member comes from a different industry sector. Current membership includes Dyers Distribution, Alan Wilson Insurance Brokers, Telstra Country Wide, McMillans, GBS Recruitment, AGL, GippsTech, Aerium Consultants, Chunxing Corporation Pty Ltd, Latrobe Regional Hospital, Littleton Hackford Solicitors, Latrobe Funeral Services, Latrobe Valley Bus Lines, Hydro Australia Ltd, and Omnia Nutriology.*

*Advice to the Committee from John Mitchell Chair, Gippsland Regional Executive Forum identified:*

- *Local procurement policy is key to engaging local workforce.*
- *Industry Capability Network is getting better at identifying local and that focus now needs to be on central and the whole of Gippsland.*

*GREF would also propose the need for a peak body comprising industry champions, as opposed to too much government/public entity approach, and thinking. To assist with project planning there is also need for an investment assessment too to enhance decision making and leverage investment."*

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<sup>64</sup> Gippsland Infrastructure – Roland Davies, Director.

<sup>65</sup> Energy Australia (2021). Inquiry into the closure of Hazelwood and Yallourn Power Stations Submission 25, 21 Oct 2021.

Mr Barry Dungey, offered the following comments:

- *Encourage government businesses to establish in Latrobe Valley. They will have a natural preference to stay in Melbourne, but any new business departments should be set in Latrobe Valley. (E.g., Australian Securities Commission currently in LV is an excellent example.*
- *The road and rail networks to LV require significant upgrade, without this LV will continue to lose projects to Geelong, Bendigo and Ballarat. The target needs to be 1 hr from Traralgon to Melbourne CBD, anything more than this will see a preference given to development in towns closer to the CBD.*
- *Support for the Churchill University - this is an excellent resource that should be further enhanced. They already run some of Australia's leading medical training courses and could offer a solution to improved doctor and nurse training that rural Australia is crying out for. They could also be leveraged to offer more PhD studies and development of new technology such as AI. Education is one critical key of a developing society.<sup>66</sup>*

#### 15.4 Smart Specialisation Strategy

Food and Fibre Gippsland (F&FG) has partnered with the Latrobe Valley Authority to deliver the food and fibre stream of the Gippsland Smart Specialisation Strategy (GS3). The GS3 is a dynamic, place-based regional development initiative that builds on our region's key strengths by fostering innovation for long-term, sustainable economic and social advantage.

These increases in advantage are achieved by proactively and collaboratively exploring innovative industry opportunities for the Gippsland region with stakeholders from across Industry, Government, Education, Research, and Community sectors. This approach of collaborative co-design ensures that opportunities are assessed from multiple viewpoints, are backed by data, and have the support required to ensure their success. The food and fibre stream of the GS3 is currently exploring six innovation opportunities:

- Advanced Vegetable Processing
- Carbon Economies
- Circular Economies
- Collective Craft Malting
- Sustainable Emerging Commodities - Insects & Seaweed

#### 15.5 The role of Federation University in the Smart Specialisation Strategy

*Federation University has not been provided the opportunity to lead the majority of the Gippsland based engagement and research across the Smart Specialisation program within the above sectors including timber transition.*

*Federation University supports the framework of deep engagement across community, government, industry, and education including undertaking the important discovery and engagement work to develop future priorities. The Liberals and Nationals are disappointed that most of the research funding over the last three to four years has been directed to education institutions outside of Gippsland.*

*The Committee Report failed to include the following comments from Federation University submission.*

*Latrobe Valley's transition and growth into new economies through Federation University is critical to its regional communities, including the Latrobe Valley and Gippsland, injecting more than \$1 billion into our local economies each year. With nearly 200 staff employed at the Gippsland campus, in research, teaching and professional roles we are also one of Latrobe Valley's largest employers.*

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<sup>66</sup> EIC CHYPS Submission 34, 2022

*Importantly, 70 per cent of students who undertake higher education in the regions, then go on to live and work in regions<sup>67</sup>.*

*Based in Churchill, Federation University is playing, and can continue to play, a key role in supporting Latrobe Valley's transition and growth into new economies through:*

*Research and Partnerships in New Energy Futures:*

*Federation University is a key partner in the Gippsland NERA Hydrogen Cluster (led by the Committee for Gippsland), and the work underway to establish Latrobe Valley as a Hydrogen Hub. The Hydrogen Energy Supply Chain pilot project, CarbonNet and Gippsland's Renewable Energy Zone are all key projects for the region that will require ongoing State and Federal Government support.*

*Through Federation University's Carbon Research Technology Centre at the Gippsland Campus, the university is a key partner in the Hydrogen Energy Supply Chain, analysing hydrogen production quality and performance of the gasification and refining plant.*

*Federation was recently awarded a Federal Government grant of \$2.5m to establish the Centre for New Energy Transition Research which will have headquarters in both Gippsland and Ballarat (under the Regional Research Collaboration Scheme administered by the Federal Department of Education).*

*Federation University's Geotechnical and Hydrogeological Engineering Research Group (GHERG), established in 2009, combines local and international experts in a close working relationship with the Victorian Government and Latrobe Valley mining partners. Located at the Gippsland Campus, GHERG combines a wealth of research experience in geomechanics, hydrogeology and soil science for the purposes of open into mine stability and rehabilitation will be critical into the future.*

*Established in 2021, Federation University's Future Regions Research Centre (FRRC) brings together expert research and local knowledge to tackle challenges ranging from the transition towards new energy to helping regional communities recover from bushfire and drought. This expertise is embodied by our multidisciplinary teams who are working to develop new knowledge and innovative solutions to the grand challenges facing our environments. These challenges include:*

- managing land and water and its associated infrastructure and integration within the agricultural sector;*
- supporting and restoring ecosystems affected by primary industries and other activities (particularly mining);*
- understanding the role of people at a time of significant societal and environmental change; and*
- understanding the requirements to adapt to climate change and to more actively involve our first peoples in the nation's future.*

*Federation University, in partnership with TAFE Gippsland, can play a leading role in helping to transition the current energy workforce into new jobs through up-skilling and re-skilling.*

*TAFE Gippsland, Federation University and the Committee for Gippsland are partnering to create a Hydrogen Workforce of the Future seeking immediate support to develop a business case into what infrastructure, resources, curriculum and academic staffing will be required to retrain Gippsland's workforce to jobs of the future. At the completion of the business case in mid-2022, the partnership will seek funding to support the development of a Hydrogen Education & Training Centre<sup>68</sup>.*

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<sup>67</sup> Federation University EIC CHYPS Submission 50, November 2021

<sup>68</sup> Federation University EIC CHYPS Submission 50, November 2021)

## 15.6 Community commentary on the Smart Specialisation Strategy

**In respect to the LVA and its Smart Specialisation strategy the Gippsland Regional Executive Forum (GREF) made the following comments:**

*“GREF is also aware that the LVA has sought to champion innovation and collaboration through the Smart Specialisation Project. The flip side is that LVA requires significant resources and is another layer of bureaucracy.*

*The other issue is to what degree is there overlap/duplication of effort with the LVA and the Regional Office of Regional Development Victoria (RDV)? The real issue is whether better outcomes could have been achieved more efficiently through mechanisms such as RDV or a duly appointed Task Force, or existing entities like Gippsland Regional Partnerships, Committee 4 Gippsland, One Gippsland”.*<sup>69</sup>

Further to the discussion on Smart Specialisation, Jane Oakley commented:

*“Federation University has been a participant in the extensive Smart Specialisation program funded and led by the Latrobe Valley Authority across the growth sectors of Food & Fibre, the Visitor Economy and New Energy.*

*Federation University understands there is currently ongoing Smart Specialisation work being undertaken in small rural communities in East Gippsland and Wellington Shire Council to help those communities develop plans as they transition away from economies that relied on native timber harvesting. In their submission to the Inquiry, however Federation University stated that they have not been provided the opportunity to lead the majority of the Gippsland based engagement and research across the Smart Specialisation program within the above sectors including timber transition.*

*Federation University supports the framework of deep engagement across community, government, industry, and education including undertaking the important discovery and engagement work to develop future priorities. It is disappointing that most of the research funding over the last three to four years has been directed to education institutions outside of Gippsland.”*<sup>70</sup>

**Minority Report Recommendation 9B:** The Victorian Government prioritise research funding to Federation University to enable localised procurement of innovation, research and development and associated training. This will deliver new jobs and help offset some of the job loss under closure of coal-fired power stations.

**The Liberals and Nationals members note that no addition information was forthcoming on the deliverable outcomes from Food and Fibre Gippsland on the Smart Specialisation Program.**

### **Question to Ms Pero – Food and Fibre Gippsland**

**Ms Bath:** *“I am quite focused, as you have heard, on those measurements of deliverable outcomes....”.*

**Ms PERO:** *“If it is acceptable, I am very happy to put a one- or two-pager together with some of that information and data and send it across to you”*<sup>71</sup>.

<sup>69</sup> John Mitchell Chair, Gippsland Regional Executive Forum, Submission 57.

<sup>70</sup> Jane Oakley, EIC CHYPS Submission 50, 2 November 2021.

<sup>71</sup> EIC CHYPS Transcript Nicola Pero, Food and Fibre Gippsland, March 2022

## 15.6 Mine rehabilitation

Mine rehabilitation is expensive. ENGIE Group and Mitsui & Co Ltd are investing nearly \$1 billion on the multi-year rehabilitation of Hazelwood coal mine and surrounds and for future use of the land as an industrial site<sup>72</sup>.

Gippsland Regional Executive Forum (GREF) provided a view on a mine rehabilitation strategy.

*“We would also advocate that the key issue of Mine Rehabilitation should be considered by the Inquiry. The mine rehabilitation projects will have significant economic, environmental, social consequences and there is a very real need to have certainty around the rehabilitation options, and the cost / benefit analysis of those options, and clarity on how the rehabilitation costs will be borne ie who is actually paying? If the costs are to be apportioned who is paying what share?”*

*The Mine Rehabilitation proposals involve consideration of dry and wet mine options. Water used in the rehabilitation process should be assigned an economic value, and it is clearly essential for the Government and community to understand how any water resource is being accessed, the long-term implications in respect to regional water sustainability, and the implications for longer term economic development capability and environmental stewardship.*

*Other water resources such as those held by Gippsland Water should also be considered and where appropriate fully leveraged. Government should ensure it is looking at the full range of natural water resources available before considering alternative resources such as manufactured water/ desalination.*

*Existing alternative sources of water production at a local level should also be prioritised in any wet mine solution – such as the 2.7 ML capacity of the Gippsland Water Factory.”<sup>73</sup>*

A submission from Engie advocated filling the mines beginning with Hazelwood, followed by Yallourn and then Loy Yang. Based on current timetables, this sequential filling could be completed over the next 40-50 years. Creation of a lake at Morwell would give the Latrobe Valley a new impetus as a residential centre (relatively close to Melbourne with good transport links), enhance the Latrobe Valley’s appeal as a destination and enhance Gippsland by offering another water-based activity centre.

Another submissions raised geotechnical issues and competing demands for water.

**Minority Report Recommendation 10:** That the Victorian Government develop a residual risks policy for the mines at Hazelwood and Yallourn. The policy should address risks associated with ground instability, fire and toxic or dangerous materials

### Appendix 1: The Committee compared to Liberals and Nationals findings and recommendations

Committee Recommendation	Liberals & Nationals Position/ Recommendation <sup>74</sup> . Amendments in red	Liberals and Nationals Rationale
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<sup>72</sup> Needham, I (2021). Inquiry into the closure of Hazelwood and Yallourn Power Stations Submission 30, 27 Oct 2021.

<sup>73</sup> John Mitchell Chair, Gippsland Regional Executive Forum, Submission 57.

<sup>74</sup> Amendment in [red](#)

<p><b>1:</b> That the Victorian Government continue to work with Energy Australia – including via the Latrobe Valley Authority – to undertake consultations with impacted workers, businesses and communities to determine the impact of the closure of the Yallourn mine and power station. Future Victorian and Commonwealth Government support for affected workers, businesses, and communities should be tailored to meet current and future needs, including as they relate to long-term transition and development.</p>	<p><b>1:</b> That the Victorian Government implement appropriate measures that meet current and future needs of a successful transition based on discussions with Energy Australia and impacted workers, businesses and communities.</p> <p>The measures shall consist of funding to Regional Development Victoria - Gippsland to cover the development of new and expanded industries to generate new direct and ongoing jobs with a funding stream and sufficient expertise to oversee worker transitional arrangements.</p>	<p><b>1:</b> The amended recommendation stipulates clear government accountability. Measures implemented following the closure of Hazelwood failed the Latrobe LGA. Over the past decade Latrobe LGA labour force declined by about 4,350 jobs while on average each of six other similar regions<sup>75</sup> gained on average about 10,070 jobs each.</p> <p>Using Regional Development Victoria rather than the LVA to manage the transition avoids duplication. Satisfaction of LVA’s handling of the Hazelwood transition by workers, local businesses and support for growth industries was only 21-27 per cent.</p>
<p><b>2:</b> That the Latrobe Valley Authority, in partnership with other agencies and Departments within the Victorian Government (including but not necessarily limited to Regional Development Victoria and the Department of Jobs, Precincts and Regions), consolidate an analysis of the outcomes of the Worker Transition Service, and the ways in which this work can apply to future worker transition supports. This analysis should include the extent to which affected workers’ needs and priorities have been, or are able to be, met.</p>	<p><b>Amend / Oppose</b></p> <p><b>2:</b> That the Victorian Auditor General’s Office (VAGO) be asked to investigate into the effectiveness of the Worker Transition Service and recommend ways to improve future worker transition services including the appropriate organisation to manage the transition services. This analysis should include the extent to which affected workers’ needs and priorities have been and or are able to be met.</p> <p>The Victorian Auditor General’s Office (VAGO) be asked to investigate the effectiveness of the Worker Transition Service and Worker Transition Scheme and recommend improvements for future services and schemes.</p>	<p><b>2:</b> The Victorian Auditor General’s Office (VAGO) has a track record of investigating public sector entities to assess efficiencies, ensure transparency and accountability.</p> <p>The analysis of the outcomes of the LVA programs and schemes, including the Worker Transition Service should be conducted by an independent organisation with expertise, such as the Victorian Auditor General’s Office (VAGO). Internal reviews are unlikely to deliver impartial evaluations.</p>

<sup>75</sup> Ballarat, Bendigo, Geelong, Mildura, Shepparton and Wodonga.

<p><b>3:</b> That the Victorian Government continue to work with EnergyAustralia to:</p> <ul style="list-style-type: none"> <li>• Identify businesses across the supply chain in advance of Yallourn’s closure</li> <li>• Provide support to help these businesses adapt to the closure and, where possible, employ new workers.</li> </ul>	<p><b>3:</b> That the Victorian Government will work with Energy Australia in advance of Yallourn’s closure and identify affected businesses and quantify the impact of closure on those businesses.</p>	<p><b>3:</b> An analysis of the number, type and magnitude of impact for businesses associated with Energy Australia’s Yallourn Power Station is required to avoid failings associated with Hazelwood closure.</p>
<p><b>4:</b> That the Victorian Government – including via the Latrobe Valley Authority – continue to work with industry and training providers, including Energy Australia, to:</p> <p>(i) Identify and support job creation opportunities in new and existing industries that are aligned with the skills, expertise and capabilities of enterprises equipped to provide new opportunities in the lead-up to, and following the closure of, the Yallourn mine and power station.</p> <p>(ii) Ensure that, as occurred through the Worker Transition Service and the Latrobe Valley Authority’s partnerships with industry and Councils, training and support opportunities are available for workers to develop the skills needed to fill new employment opportunities, including in priority industries, and for businesses to develop and implement transition plans that enable new jobs to be created.</p>	<p><b>Amend/ Oppose</b></p> <p><b>RECOMMENDATION 4A:</b> That the Victorian Government undertake a analysis of future Latrobe Valley job creation opportunities and prepare a strategic plan for employment in the Latrobe Valley in consultation with Energy Australia and release a detailed strategic jobs plan to the public by June 2023.</p> <p><b>RECOMMENDATION 4B:</b> That the Victorian Government undertake a analysis of future transitional services and training requirements vital to support workers following the closure of Yallourn and prepare them for new job opportunities. Release a detailed transitional training plan to the public by June 2023.</p>	<p><b>4:</b> Recommendations <b>4A</b> and <b>4B</b> focus on time dependant outcomes assigned to the Victorian Government, for increased accountability and urgency. The Committee recommendation fails to acknowledge that serious strategic planning is required and fails to stipulate a timeline for outputs that will deliver transparency to the public.</p>
	<p><b>Amend/ Oppose</b></p> <p><b>5:</b></p>	

<p><b>5:</b> That the Victorian Government publish an outline of the functions of the Latrobe Valley Authority and Regional Development Victoria respectively, including how they relate to other parts of the Victorian public sector, other levels of government and industry.</p>	<p><b>That the LVA should be wound up and any future assistance programs should be implemented and managed through RDV – Gippsland.</b></p>	<p><b>5:</b> The functions of the LVA could have been carried out by Regional Development Gippsland with a specified funding stream. Duplicating and overlapping functions lead to inefficiencies, including a lack of ‘process complete’ outcomes and involving protracted decision making with poor service delivery.</p>
<p><b>6:</b> That the Victorian Government publish information relating to job creation involving the Latrobe Valley Authority’s work as it relates to business and industry in the Latrobe Valley and across the Gippsland region more broadly. This information where possible should include detail aligned with other methods of data collection in ABS, Commonwealth and Victorian Government modelling and reporting methodologies, including the sectors, modes and duration of employment. Information about the mode, duration and sector of direct and indirect work in the operation of the Hazelwood and Yallourn mines and power stations should also be published to enable meaningful comparisons where relevant.</p>	<p><b>Amend/ Oppose</b>  <b>6A:</b> <b>That the Victorian Government publish employment figures six monthly for the six rural LGA’s (Latrobe, Baw Baw, South Gippsland, Wellington, East Gippsland and Bass Coast) and changes to employment attributed to major industry closures, such as Hazelwood and Yallourn, and the native timber industry.</b></p>	<p><b>6:</b> The information and source data should be aligned with official ABS <b>methodology and not with state government modelling and state government reporting</b> as that data can be manipulated, and may not always align with official ABS methodology which is the soundest basis.</p> <p>The Minority Report highlights that the Latrobe LGA has been impacted substantially more than the other five surrounding LGA’s and is the municipality of substantial job loss. Published employment data needs to be on an LGA basis not broad Latrobe Valley or Gippsland Region.</p>
	<p><b>New RECOMMENDATION 6b</b>  <b>6B:</b> <b>That the Victorian Government work more closely with the Latrobe City Council in relation to any future Government measures to aid the region’s economic transitioning given that Latrobe LGA has been most affected by past closures and is now the most disadvantaged LVA in the region.</b></p>	<p><b>6b:</b> Significant evidence from the Latrobe City Council cited a lack of consultation and collaboration by the LVA<sup>76</sup>. (Refer to Chapter 5 in the Minority Report)</p>
	<p><b>Amend/ Oppose</b></p>	

<sup>76</sup> Latrobe City Council, EIC, CHYPS Inquiry, Submission 5, 2021.

<p><b>7:</b> That the Latrobe Valley Authority list its performance indicators on its website, including continuing to define its future role in terms of funding decisions and how it will enhance economic and social strengths.</p>	<p><b>7:</b> That the Latrobe Valley Authority publish quarterly its <u>performance against its key performance indicators (KPI's) on its website and publish annually its updated business strategy, describing how, when and what outcomes it will deliver to enhance future socio-economic outcomes for the Latrobe Valley.</u></p>	<p><b>7:</b> The Minority Report Recommendation 7 is focussed on increased transparency which requires measurable and deliverable outcomes. It is one thing to 'list' performance indicators for public viewing and another to measure them against PKIs.</p>
<p><b>8:</b> That the Latrobe Valley Authority identify gaps in community awareness of its work and continue to address these gaps or misunderstandings by promoting its work, including as it relates to the 2022–23 Victorian State Budget's allocation of \$7.5 million to continue and evolve its work on transition and development for the Latrobe Valley Region.</p>	<p><b>Oppose</b>  <b>8: New RECOMMENDATION</b>  <u>That the LVA focus on delivering effective transition outcomes and not spend any of the 2022-23 allocation of \$7.5 million on self promotion.</u></p>	<p><b>8:</b> The LVA should stop wasting its time and money on peripheral matters such as its image and focus on delivering as much economic growth and new sustainable jobs with the limited budget, given that administration and operational costs will consume most of the \$7.5M 2022-23 Budget.</p>
<p><b>9:</b> That the Latrobe Valley Authority identify and publish a timeline for its work to develop and implement localised transition and development across the Latrobe Valley, and the benchmarks against which it will operate.</p>	<p><b>Oppose</b>  <b>9:</b> See Minority Recommendation 7</p>	
	<p><b>9A: New RECOMMENDATION 9a:</b>  <u>That the Victorian Government discard the Victorian Forestry Plan and continue with sustainable harvesting of native forests. The Victorian Government must work with VicForests to continue to maintain practices which enhance healthy, sustainable, and productive forest systems.</u></p>	<p><b>9A:</b> A Parliamentary Report highlighted that the Victorian Forestry Plan will not deliver the environmental outcomes it purports, nor will new plantations to ensure sufficient wood volume to accommodate the loss of 1 million m3 from Victoria's sustainably harvested native forests. The 'Forestry Plan' is likely to contribute to a further loss \$5.6 billion in Gross Regional Product and the loss of 3,660 jobs over the next 20 years in disenfranchised rural communities.<sup>77</sup></p>

<sup>77</sup> Victorian Parliamentary Inquiry into Ecosystem Decline, The Nationals and Liberals Minority Report, Chapter 6.

	<p><b>9b: NEW RECOMMENDATION 9b:</b></p> <p>The Victorian Government prioritise research funding to Gippsland institutions, such as Federation University to enable localised procurement of innovation, research and development and associated training. This will deliver new jobs and help offset some of the job loss under closure of coal-fired power stations.</p>	<p><b>9b:</b> Federation University supports the framework of deep engagement across community, government, industry, and education including undertaking the important discovery and engagement work to develop future priorities. It is disappointing that most of the research funding over the last three to four years has been directed to education institutions outside of Gippsland<sup>78</sup>.</p>
<p><b>10:</b> That the Victorian Government develop a residual risks policy for the mines at Hazelwood and Yallourn. The policy should address risks associated with ground instability and fire.</p>	<p><b>10: Support &amp; Amended</b></p> <p>That the Victorian Government develop a residual risks policy for the mines at Hazelwood and Yallourn. The policy should address risks associated with ground instability, fire and toxic or dangerous materials.</p>	

<sup>78</sup> Jane Oakley, EIC CHYPS Submission 50, 2 November 2021.

## Appendix 2: Community Stakeholder Recommendations ignored by Committee Report

**RECOMMENDATION A:** Victorian Government to seed investment in the development of technologies and people to broaden the use of lignite for a sustainable future e.g. carbon neutral hydrogen (with carbon capture, use & storage), production of fertilizers, low-cost carbon fibre, graphene for the electronics industries and activated carbon used in food and health industries and for filtration to clean water and sewage.

Support for a recommendation of this nature came from many submissions including:

*“The region needs new project developments that are similar in nature to a Power Generation project, and the continued leveraging of brown coal as the energy source. An obvious pathway would be a Hydrogen Production Facility utilising brown coal as the feedstock. A domestic Hydrogen facility would support the development of downstream processing facilities to produce valuable commodities for the State such as Ammonia and/or Urea Fertiliser.”<sup>79</sup>*

*“Government industry and the community to adopt a proactive approach to building a new industrial base which could see new industries in the Latrobe Valley focused on production of fertilizers, low-cost carbon fibre, graphene for the electronics industries and activated carbon used in food and health industries and for filtration to clean water and sewage. The time to commence this investment was 4 years ago when the decision to shut down Hazelwood was made. The best time is now”.<sup>80</sup>*

*“With a world class carbon resource base and a strong history of an innovation by Australian industry, the Latrobe Valley has an opportunity to transition to a global centre for development of carbon technology to underpin a sustainable and low emission future.”<sup>81</sup>*

*“Adopt a commercial HESC project for its potential to create thousands of jobs and help transition the region from coal fired power stations to new clean industries and create a thriving hydrogen export industry with huge local economic, environmental and community benefits”.<sup>82</sup>*

*“Hydrogen can make a significant contribution to the required transition to clean energy by replacing existing fuels and reducing CO2 emissions across a broad range of applications. The long term success of this project, will rely on the development of Carbon Capture and Storage technology which is progressing through the CarbonNet project supported by the state and federal government.”<sup>83</sup>*

**RECOMMENDATION B:** Victorian Government establish an industry development fund now, ahead of Yallourn’s closure, to be directed to growing existing businesses and attracting new industries to the region to assist a smooth transition for the local economy.

**Rationale:** Providing such funding ahead of Yallourn’s closure would give businesses time to scale up or make investments decisions that create future employment opportunities not only for Yallourn’s workforce but the loss of jobs in the forest industry and supporting industries.

**Comment:** Recommendation along these lines supported in submissions by Jane Oakley, Liz Westcott from Energy Australia, Tony Cantwell:

*“Funding directed to growing existing businesses and attracting new industries to the region ahead of Yallourn’s closure could assist in a smooth transition for the local economy. Providing such funding ahead of Yallourn’s closure would give businesses time to scale up or make investment decisions that*

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<sup>79</sup> Submission 43, Gippsland Infrastructure – Roland Davies

<sup>80</sup> Submission 17, Australian Carbon Innovation

<sup>81</sup> Submission 17, Australian Carbon Innovation

<sup>82</sup> Submission 29, Ms Yuko Fukuma, Kawasaki Heavy Industries on behalf of Hydrogen Energy Supply Chain Project

<sup>83</sup> Submission 55, AGL Energy, 30 November 2021

*create future employment opportunities not only for Yallourn’s workforce but for the broader community”.*<sup>84</sup>

*“To date, we have not seen any significant new large-scale business investment that will present significant job opportunities to offset those lost with the closure of Hazelwood Power station and associated supply chain businesses”.*<sup>85</sup>

*“Gippsland needs large-scale investment (to replace outgoing industry). The region needs commitment and action from Commonwealth and Victorian Governments to target and attract new investment to advance business development by providing:*

- *Market certainty (confidence) for existing businesses to invest.*
- *Work with regional leaders to develop packages to attract new large-scale business.*
- *Deploy dedicated ‘Invest Victoria and Austrade’ resources to Gippsland’s mission to attract new large-scale business investment (working alongside industry and regional leaders)”.*<sup>86</sup>

*“A state government/RDV focus on gaining potential investment through existing organisations and agencies would be of significant assistance, including Regional Development Australia and local government economic development teams, with support from Committee for Gippsland. However, a multitude of agencies and government departments at the client-face can make it confusing for industry and business looking to further invest in the region. Resourcing for the task should be strategically allocated through minimal bureaucracy and not spread across multiple agencies and organisations duplicating services.”*<sup>87</sup>

On the closure of traditional employers and the need for new industries, Group General Manager, Operations, AGL, Mr Steve Rieniets said:

*“I mean, here it is a bit like musical chairs, right? There are going to be less chairs in the game, right? So we need to get more chairs into that circle, right, and those chairs will not be power stations. It needs to be other industries putting their chairs into that circle so everyone gets a chair, right? I think that is the name of the game here”.*<sup>88</sup>

**RECOMMENDATION C:** That the Victorian Government approve Yallourn’s rehabilitation plan well ahead of Yallourn’s closure and prioritise Yallourn workers for employment in rehabilitation of the Yallourn mine and operation of EnergyAustralia’s new utility-scale battery.

**Rationale:** Approval of a final rehabilitation plan well ahead of Yallourn’s closure will help ensure workers can transition immediately to work on Yallourn’s rehabilitation without any gap in employment.

*“Prioritise Yallourn workers for employment in rehabilitation of the Yallourn mine and operation of EnergyAustralia’s new utility scale battery. Approval of a final rehabilitation plan well ahead of Yallourn’s closure will help ensure workers can transition immediately to work on Yallourn’s rehabilitation without any gap in employment”.*<sup>89</sup>

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<sup>84</sup> Submission 25, Liz Westacott, Energy Australia, 21 October 2021

<sup>85</sup> Submission 51, Jane Oakley, 21 August 2021

<sup>86</sup> Submission 51, Jane Oakley, 21 August 2021

<sup>87</sup> Submission 56, Committee for Gippsland, 13 December 2021

<sup>88</sup> Mr Steve Rieniets AGL, EIC CHYPS, Transcript, 3 March 2022

<sup>89</sup> Submission 25, Liz Westacott, Energy Australia, 21 October 2021

*“Securing this approval will be a priority for EnergyAustralia over coming years and we eagerly anticipate the finalisation of the regulatory framework for rehabilitation that will make this possible”.<sup>90</sup>*

**RECOMMENDATION D:** That the Victorian Government support a commercial HESC Project.

**Rationale:** A commercial HESC<sup>91</sup> Project has the potential to create thousands of jobs and help transition the region from coal fired power stations to new clean industries and create a thriving hydrogen export industry with huge local economic, environmental and community benefits

**NOTE: The Victorian and Australian Governments have each contributed \$50m for the delivery of the pilot as a practical investigation of a viable new industry for the Latrobe Valley and Australia.<sup>92</sup>**

*“A commercial HESC Project has potential to create thousands of jobs, enabling the transition for workers in coal-fired power stations and mines to a range of new, transformative industries”<sup>93</sup>*

*“The region is also blessed with quality industrial infrastructure and natural resources that provide a strong foundation for hydrogen development”<sup>94</sup>.*

*“the Federal Government has identified Latrobe Valley as a future hydrogen hub, with the Committee for Gippsland leading considerable efforts under the NERA Hydrogen Cluster; which includes Federation University as a key partner”.<sup>95</sup>*

*“The Hydrogen Energy Supply Chain pilot project, CarbonNet and Gippsland’s Renewable Energy Zone are all key projects for the region that will require ongoing State and Federal Government support”.<sup>96</sup>*

**RECOMMENDATION E:** That the Victorian Government and operators ensure that existing users and alternative potential uses of Latrobe Valley water are protected as they plan filling the three Latrobe Valley Mines with water.

**Comment:** A submission from Hazelwood Power advocated filling the mines beginning with Hazelwood, followed by Yallourn and then Loy Yang. Based on current timetables, this filling could be completed over the next 40-50 years. Creation of a lake at Morwell would give the Latrobe Valley a new impetus as a residential centre (relatively close to Melbourne with good transport links), enhance the Latrobe Valley’s appeal as a destination and enhance Gippsland by offering another water-based activity centre.

Another submission raised geotechnical issues and competing demands for water.

*“A large lake-centred recreational precinct less than two hours from Melbourne, surrounded by a mixture of passive and adventure recreation, intensive agriculture and horticulture, industry and possibly accommodation or residential areas could change the face of the Latrobe Valley. It would become a magnificent resource for local communities, a destination in its own right, and a ‘destination on the way’ to existing well known attractions across the Gippsland region”. –<sup>97</sup>*

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<sup>90</sup> Submission 25, Liz Westacott, Energy Australia, 21 October 2021

<sup>91</sup> Hydrogen Energy Supply Chain (HESC)

<sup>92</sup> Submission 29, Ms Yuko Fukuma, Kawasaki Heavy Industries on behalf of Hydrogen Energy Supply Chain Project

<sup>93</sup> Submission 29, Ms Yuko Fukuma, Kawasaki Heavy Industries on behalf of Hydrogen Energy Supply Chain Project

<sup>94</sup> Submission 29, Ms Yuko Fukuma, Kawasaki Heavy Industries on behalf of Hydrogen Energy Supply Chain Project

<sup>95</sup> Submission 50, Federation University, November 2021.

<sup>96</sup> Submission 50, Federation University, November 2021.

<sup>97</sup> Submission 30, Engie Hazelwood, 27 October 2021.

*“In its end state, Hazelwood will benefit from a full lake; a proud focal point for all activities, visible from many aspects within the site. As the powerhouse for new communities, the lake will be the first of its kind to be fully utilised”.<sup>98</sup>*

*“The Mine Rehabilitation proposals involve consideration of dry and wet mine options. Water used in the rehabilitation process should be assigned an economic value, and it is clearly essential for the Government and community to understand how any water resource is being accessed, the long-term implications in respect to regional water sustainability, and the implications for longer term economic development capability and environmental stewardship”.<sup>99</sup>*

*“GREF strongly submit that decisions on how we share and manage water resources needs to be carefully assessed having regard to intergenerational/regional interests and the critical need for decisions to be based on the best scientific and environmental considerations”.<sup>100</sup>*

**RECOMMENDATION F:** Victorian Government establish a Renewable Energy Industrial Precinct within the Latrobe Valley to provide access to:

- Cheaper infrastructure and energy (electricity and heat) that will be shared across multiple large energy users lowering energy bills and production costs;
- Access to a skilled workforce that can be trained in the development and operation of efficient, zero-emissions industrial processes; attract businesses and investors, support local industries, secure existing jobs and create new jobs; and
- Provide an opportunity to commercialise new technologies and solutions onshore, by attracting start-ups to co-locate with established industry players.

*“The Victorian Government through its Renewable Development Plan (RDP) has acknowledged that Gippsland has potential as a renewable energy zone (REZ) and outlined plans for the Gippsland Renewable Energy Zone (GREZ)”<sup>101</sup>.*

*“With the development of new energy projects comes potential for new network connections and demand for significant new infrastructure to be constructed”. – Submission*

**RECOMMENDATION G:** That the Victorian Government address energy reliability for Victorians by replacing energy shortfalls in a strategic and time critical phase as a result of potential reliability risks from closure of Yallourn and earlier closures of other coal fired power stations.<sup>102</sup>

**RECOMMENDATION H:** That the Victorian Government focus more energy and forestry research funding to education institutions within the region with the expertise who can deliver local recommendations and future priorities with a physical presence in the region<sup>103</sup>

**Comment:** Federation University has not been provided the opportunity to lead the majority of the Gippsland based engagement and research across the Smart Specialisation program within the above sectors including timber transition.

*“Federation University in Gippsland has the local expertise and capability to lead this work”.<sup>104</sup>*

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<sup>98</sup> Submission 30, Engie Hazelwood, 27 October 2021.

<sup>99</sup> Submission 57, John Mitchell, Gippsland Regional Executive Forum, 15 December 2021.

<sup>100</sup> Submission 57, John Mitchell, Gippsland Regional Executive Forum, 15 December 2021.

<sup>101</sup> Submission 56, Committee for Gippsland, 13 December 2021.

<sup>102</sup> Multiple submission

<sup>103</sup> Submission 50, Federation University, 2 November 2021

<sup>104</sup> Submission 50, Federation University, 2 November 2021.

**RECOMMENDATION I:** That the Victorian Government adopt a local procurement policy.<sup>105</sup>

**Rational:** When it comes to supporting communities facing uncertain futures as a result of closing industries Government actions speak louder than words.

**RECOMMENDATION J:** Victorian Government prioritised alternate sources of water such as the 2.7 ML capacity of the Gippsland Water Factory and use times of high rainfall events as an opportunity to advance filling voids under any wet mine solution.

*“Other water resources such as those held by Gippsland Water should also be considered and where appropriate fully leveraged. Government should ensure it is looking at the full range of natural water resources available before considering alternative resources such as manufactured water/desalination. Existing alternative sources of water production at a local level should also be prioritised in any wet mine solution – such as the 2.7 ML capacity of the Gippsland Water Factory”.*<sup>106</sup> –

**RECOMMENDATION K:** That the Victorian Government rescind its policy to exit from native forest timber supply by 2030 given that the disruption from the exit coincides with disruption from the closure of Yallourn and the planned ramp up in plantation supply as not occurred, nor is it likely to be effectively implemented given the very high land prices that are prohibitive for commercial plantations.<sup>107</sup>

**Rational:** Native forest timber is our most ecologically sustainable building material. Australian forestry is a world class and sustainable renewable industry that should be expanded so that Australia can be self-sufficient in timber resource rather than importing timber from sources that may not have been grown to the same standards (environmental, safety and sustainability). Socioeconomic impact of ceasing native forest log supply will cause considerable socioeconomic loss and coinciding with the closer of coal-fired power generation will create considerable socioeconomic issues for the Latrobe Valley and Gippsland. Establishing sufficient area to replace the ca. 1 million cubic metres currently sourced from native forests is infeasible.

*“The plan to stop timber from native forests is flawed due to:*

- 1. There is not enough time to replace this resource with the planned promise plantation development. Even with trees planted today there will be a gap of 10-20 years before they could begin to replace the native resource*
- 2. The native areas being locked up are regrowth timber anyway, with the lack of management of this resource it will end up being a severe fire risk and is likely to be destroyed by bush fire within 20 years of lock up.*
- 3. Gippsland is well suited due to soil, weather, and rainfall to grow quality trees”.*<sup>108</sup>

*“The Victorian Forestry Plan fails to acknowledge the current decline in plantation supply and the considerable and possibly insurmountable challenges to establishing new plantations. The ‘Forestry Plan’ also ignores the 20 to 30 year lead time required. The challenges include very limited availability of suitable land, high land cost, poor plantation log quality, unsuitability of plantation sawlogs for existing mills and the large scale required for returns on investment in new mill technology. Replacing native forest timber with new plantations on farmland threatens to push up farmland prices, crowd out farmers and will lead to diminishing scale economies in agricultural production and food processing. Farmland in Gippsland is scarce.*

*Over the last 21 years misallocation by policy and exacerbated by wildfire loss has resulted in the loss of \$6.6 billion Gross Regional Product and 5,560 jobs over the last 21 years. The ‘Forestry Plan’ is likely to contribute to a further loss of \$5.6 billion in Gross Regional Product and the loss of another 3,660 jobs over the next twenty years”.*<sup>109</sup>

<sup>105</sup> John Mitchell Chair, Gippsland Regional Executive Forum, Submission 57.

<sup>106</sup> Submission 57, John Mitchell, Gippsland Regional Executive Forum, 15 December 2021

<sup>107</sup> Submission 58, John Cameron, 16 December 2021 & Submission 26, Mr Ian Reid, 21 October 2021.

<sup>108</sup> Submission 26, Mr Ian Reid, 21 October 2021.

<sup>109</sup> Submission 58, John Cameron, 16 December 2021.