

Latrobe City Council Submission
Economic Development and Infrastructure Committee
*Inquiry into Greenfields Mineral Exploration and Project
Development in Victoria*



19 August 2011

Victoria's Major Regional Centre

Latrobe City is one of the four major Victorian Regional Cities and one of the fastest growing non metropolitan centres in Australia. Latrobe City is home to 80,000 people and is located approximately 150 km east of Melbourne. The municipality is characterised by four major urban areas- Morwell, Traralgon, Churchill and Moe/Newborough and also includes seven smaller townships.

Latrobe City is the most populated local government area within the region of Gippsland which is also demonstrating strong population growth. A major strength for Latrobe City is its geographic central location within the Gippsland region that makes it the natural regional centre. Latrobe City is known for excellence in education and training, healthcare and as the commercial and cultural centre of the Gippsland region. Latrobe City offers world class educational and skills training facilities as well as world class recreational and entertainment facilities and transport infrastructure.

Power generators located in Latrobe City supply over 90% of Victoria's electricity generation requirements. Brown coal-fired electricity generation is an important part of the regional economy. In August 2008, Latrobe City Council commissioned Compelling Economics to undertake an Economic Data Report on the economic importance of coal and electricity to the local economy. The report demonstrated that the value-added in Latrobe City by the coal and electricity sectors is estimated at \$802.4 million which represents 21.2% of Latrobe City's gross regional product of \$3.8 billion. For every ten direct jobs the in coal and electricity sector, it is estimated that a further eight jobs are sustained in the local economy.

With a Gross Regional Product of approximately \$4 billion and annual business turnover estimated at \$10.3 billion, the City makes a significant contribution to the Victorian economy. Employment growth in Latrobe City is strong, and in recent years this growth has exceeded that in the other three major regional centres. A significant amount of capital investment is in the planning pipeline as demonstrated by the following projects:

- National Foods \$55 million expansion (underway)
- Mahindra \$22 million investment for an approximate 75% share in ownership of GippsAero (underway)
- TRUenergy Combined Cycle Gas Turbine (CCGT) Power Station (capital cost unknown)
- HRL Clean Coal Power Station \$750 million

Latrobe City Council Submission

Latrobe City Council appreciates the opportunity of providing this submission to the Economic Development & Infrastructure Committee's inquiry into greenfields mineral exploration and project development in Victoria. As the mineral resources underlying Latrobe City are relatively well known the emphasis of this submission will be on project development issues.

Latrobe City's diverse landscape ranges from the rich agricultural floodplains of the Latrobe Valley, to the temperate rainforests of the Strzelecki Ranges. Underlying the valley floor are the vast brown coal fields that have provided the fuel for Victoria's electricity generation needs since the 1920's. Mining these coal reserves has impacted not only on the landscape but has seen the emergence of new industries, businesses, cultures and traditions. The open cut brown coal mines of the Latrobe Valley are the largest and longest continually operating mines in Victoria. They have been fundamental to the prosperity of the state by enabling the generation of cheap and abundant electricity.

The Latrobe Valley "economic" brown coal reserves are estimated to be 53,000 Mt. The region currently extracts approximately 65Mt annually for electricity generation and conversion to briquettes and char.¹ While Latrobe Valley brown coal was the primary energy source for electricity generation in Victoria for the 20th century its continued use in the 21st century is less certain due to concerns about greenhouse gas emissions that are (currently) relatively high². Latrobe City Council is acutely aware of the challenges and implications for the region of the need to reduce greenhouse gas emissions and to position the City for a Low Carbon Future.

Council has worked collaboratively and engaged world experts to develop the "*Positioning Latrobe City for a Low Carbon Emission Future*" policy. This is a first for local government in Australia and a vital step for the future of Latrobe City.

Latrobe City is proud of its history as a coal and energy based community; and will now maximise our strengths and leverage new opportunities to transition to a low carbon emissions future. Council will lead the implementation of the 30 actions within our policy to ensure our community is able to transition smoothly; that innovation is supported within industry; that our economy is diversified; and that Latrobe City will respond and is prepared for the challenges and opportunities ahead. These policy actions include:

- Support for the development of commercially viable low emissions coal technologies;
- Support for the development of alternative uses and markets for coal;

¹ Department of Primary Industries

² Department of Primary Industries

While Latrobe City supports the balanced use of the coal resource, it will maintain a strategic focus on transitioning to an economy that is not reliant on one coal end use. The Council supports the retention of existing brown coal related jobs within the municipality and will work to encourage investment in alternative uses and markets for coal. Latrobe City Council will work closely with DPI, through Clean Coal Victoria, to ensure that any future development of the currently unallocated coal resource is undertaken with due consideration of social, environmental and financial factors.

Latrobe City Council is a founding member of the Coal Councils of Australia. Established in 2009, the Alliance seeks to represent the interests of communities likely to be impacted by carbon constraining legislation. Key objectives of the Alliance are to engage in dialogue with the Federal Government regarding how impacted communities will transition effectively to a low carbon economy, and assistance in the completion of a Social Impact Analysis to determine appropriate transitional arrangements for each impacted region.

Coal mining and Energy Industry Policy Development

The support of the Latrobe City Council and the Gippsland community for a sustainable energy industry is clear and long standing. Recognising the importance of the energy sector Council concluded in 2004 that in order to be able to engage in the emerging debate on energy issues the regional community needed to upgrade their knowledge, planning capacity, infrastructure, and general skills. The region needed a coherent regional energy policy and a strategy to engage with broader policy formulation processes and maximise new regional energy development opportunities.

To address this imperative Council initiated an “Energy Challenge” project with assistance from the Commonwealth Government. This project aimed to develop and implement a Gippsland Energy Policy and Strategy.

The Energy Challenge’s 2005 Gippsland Energy Summit attracted an audience of over 160 key stakeholders from across the Gippsland Region. These included major potential energy investors, academics and State and Federal Government politicians and senior departmental representatives. The issues raised formed the basis of the key elements of the subsequently developed Gippsland Energy Policy³. This policy has been endorsed by the Gippsland Local Government Network.

The Sustainable Gippsland Advisory Committee recommended Commonwealth funding from the Sustainable Regions Program to develop an independent, definitive, strategic assessment of the long-term Co₂ storage capacity of the Gippsland and Bass basins, an assessment of likely development pathways and the economic cost of accessing various tranches of storage. It was considered that such an assessment would be invaluable as a guide to communities, Governments and industries in creating a new sustainable energy future for the Latrobe Valley and Australia. This work was undertaken by the

³ Gippsland Energy Policy, Gippsland Local Government Network

CO2CRC and the report, The Latrobe Valley CO2 Storage Assessment⁴, completed in November 2005. Council notes that this initial work has been supported and substantially expanded by the Victorian Geological Carbon Storage Initiative due to be completed in 2012.

The Department of Primary Industries has assessed the potential development of the Latrobe Valley coal fields. It reviewed available coal resources and regional environmental, social and economic impacts of its use and recommended actions to protect these coal resources for future use. DPI have advised that within the range of assumptions used, power generation from brown coal is expected to remain an important part of the National Electricity Market and the principal base load power generating energy source for Victoria. Brown coal is also likely to be utilised for the production of syngas and other hydrocarbon products.

In 2009, Latrobe City Council provided a response to the Draft Final Report titled "*Carbon Pollution Reduction Scheme: Adjustment Strategy for the Latrobe Valley*" prepared by the Centre for Economic Studies on behalf of the Victorian Department of Treasury and Finance. Council's concern with the proposed strategy was the need for a contemporary view of the Latrobe City economy and community. In many areas the data utilised only considered events and growth up to 2006. While this may be due to the limitations of census data, it provides a skewed picture of population growth, recent developments and the current investment environment. Council's concern was that energy and hence coal mining policy development needs to be better informed

Latrobe City Council endorses the Gippsland Region Plan (2010) and is leading the implementation of priority one- development of a Gippsland Low Carbon Economy Transition Plan. The recommendation of the plan in full is outlined below.

Establishment of the Gippsland Low Carbon Economy Transition Plan that builds upon the Gippsland Local Government Network endorsed "Positioning Latrobe City for a Low Carbon Emission Future" and includes: -

- 1. Regional coal resource development plan that identifies the long term future for utilisation of the region's brown coal assets*
- 2. The development of mechanisms required to foster the use of "clean coal" technology and the development of coal derivatives*
- 3. A regional transition program for industry, including agriculture, businesses and communities highly impacted by a future low carbon economy*

Policy Support Action- Review of the status of current coal related exploration and mining licenses and facilitate appropriate activation and/or investment with respect to utilisation of the coal resource

⁴ The Latrobe Valley CO2 Storage Assessment, Cooperative Research Centre for Greenhouse Gas Technologies, Report Number RPT05-0220 November 2005

The Latrobe Valley Brown Coal Resource

The brown coal seams of the Gippsland Basin underlie most of the Latrobe Valley and extend eastward at great depth into Bass Strait.⁵ Coal seams therefore underlie most of Latrobe City. A drilling program conducted by the State Electricity Commission of Victoria between the 1950's and 1980's on a 400 metre grid pattern defined this resource. Further work undertaken by GHD Pty Ltd in 2002 converted this borehole data into a 3 Dimensional model. This model identified 53,000Mt of "economic" coal. This coal is has a low sulphur, ash, heavy metals and nitrogen content, making it very low in impurities by world standards. However, its high moisture content - which ranges from 48-70 per cent reduces its effective energy content (average 8.6 MJ/kg on a net wet basis or 26.6 MJ/kg on a gross dry basis). It is readily and economically mined due to very low overburden strip ratios.

The issue for Latrobe City is not mineral exploration. The resource is well known and accessible. The challenge is how this massive resource might best be utilised for the very long term benefit of the Latrobe City community and ultimately the State. The question is, if this resource was discovered today, what would its best and most responsible use be? Clean Coal Victoria, an initiative in the Earth Resources Development Division of the Department of Primary Industries, is supporting the development of a public-private Victorian Brown Coal Roadmap that will identify promising pathways to make low-emissions coal a viable part of Victoria's future energy mix. A major two day workshop was held in Melbourne on 21-22 June with the objective of generating expert stakeholder inputs to the development of the Victorian Brown Coal Roadmap. Council looks forward with interest to the completion of this project later this year. Council also supports Clean Coal Victoria's objective of "unlocking" the brown coal resource in a logical manner around the communities that are already there.

Brown Coal Resource Development

The internationally known size and quality of the Latrobe Valley brown coal resource has over many years ensured a steady stream of interest from potential Australian and overseas developers. Latrobe City Council hosts visits from potential project proponents and uses its good relations with the existing electricity generators to facilitate plant and mine site visits. While council accepts this role willingly there is an opportunity to better screen and manage visitors. Council would appreciate better advice as to the bone fides of potential project proponents referred by DPI and other state agencies.

When looking at "opportunities to increase the net benefits from Victoria's minerals and energy earth resources and to potentially provide for self sufficiency in low cost energy and extractive materials, consistent with the principle of economic efficiency"⁶ the "elephant in the room" is Latrobe Valley brown coal. This resource has for ninety years enabled Victoria to be self sufficient in cheap energy. The public

⁵ Department of Primary Industries

⁶ Terms of Reference – Inquiry into Greenfields Mineral Exploration and Project Development in Victoria

focus today is on the greenhouse gas emissions from current electricity generation practices, not the energy potential of the resource.

The challenge for the Victorian Government is to promote the responsible development of Latrobe Valley coal using new technologies, possibly for new applications in an environment where some see brown coal as inherently evil. The challenge is compounded by an environment where there is strong competition for investment from other minerals provinces in a minerals boom. The focus of the Australian mining industry hasn't been on Victoria since the 1850's gold rush. The first hundred years of Latrobe Valley coal extraction was initiated by government. While the majority of Victoria's known coal resources are covered by exploration or mining licences DPI indicates that a number of companies have found opportunities to access coal through the successful negotiation of commercial arrangements with licence holders to the benefit of both parties. To establish these commercial arrangements DPI may also assist in the referral of access requests to current licence holders, including operating mines.

Council notes the potential for the current "full" allocation of exploration and mining licences to be a barrier to new entrants. New entrant access is dependent on a commercial arrangement with an existing licence holder. Licence holders may therefore be able to lock out projects that would otherwise benefit the region while not developing the resource themselves. Council considers that as a condition of holding a licence to a state resource development of that resource should occur in a timely manner.

Community, Environmental and Land Management Issues

Due to the extent of the resource and the mining methods used there has been a considerable impact on the environment of the Latrobe Valley. Environmental impact issues include river diversions, cooling ponds, proximity of townships to large mines and groundwater issues. Issues impacting on the community and therefore of great interest to Council include the potential for major road and rail relocations, mining operations close to communities, and constraints to residential development by coal area reservations.

Latrobe City Council supports the appropriate future use of the regions significant brown coal resource. Council also strongly advocates that land not required for future coal winning purposes be released for other appropriate uses and a planning scheme amendment be fast tracked that enables alternate uses to proceed.

Council requires any process, study or project that considers future uses of the coal resource to include:

- extensive community consultation in relation to any proposed mining or associated / ancillary activities.
- full economic, social and environmental impact studies being undertaken in relation to the proposed future use of the coal resource.

Community consultation and full consideration of mine location and operation impacts remain Council priorities for the extension of existing mines or the location of new mines.

Land use supply conflicts were demonstrated at the Traralgon Bypass Supplementary Inquiry (2007). In this instance the alignment of the Princes Highway bypass of Traralgon as recommended by an Advisory Committee to the Minister for Planning in 2004 was challenged by the Department of Primary Industry (DPI) on the basis that it would “sterilize” future access to 700Mt (1.3%) of the estimated 53 Bt Latrobe Valley coal resource.

Latrobe City indicated that Traralgon had limited residential land supply remaining and that the town could only grow to the south west. The capacity to accommodate this growth has been significantly constrained by DPI’s preferred bypass alignment, which has now been adopted by VicRoads. Council raised a number of regional development issues and also restated the need for a consultative process for defining a Special Use Zone as applying to a coal resource. The Supplementary Inquiry supported the DPI position. Traralgon’s growth is compromised and the need for better land use planning processes remains.

Should future energy generation processes include the use of CCS technologies Latrobe City supports the opportunities for sharing Co2 collection, transport and geosequestration facilities. The sharing of Co2 management facilities has the potential to reduce the impact of this infrastructure on the community and to simplify the planning requirements to accommodate it.

Major new projects in coal mining and conversion will require appropriate accommodation and community facilities for the workforce likely to be required during project construction phases. Council recognises its role in the planning for appropriate accommodation and community facilities and would be keen to play a key role in an inter agency process to provide those facilities. Council is not responsible for constructing facilities such as schools and accommodation and expects that the State Government would address these issues.

There will also be an opportunity to support skills development and training to enable the local workforce to participate in any new projects. Council's Economic Development Strategies contribute to the identification and promotion of the skills needs of developing industries. Council will assist the State Government and training providers with the identification of training needs and to engage the local workforce.

Surface and ground water management is important for the stability of open cut mines and the control of land subsidence in their vicinity. It is noted that approved rehabilitation plans for the current mines involves using water to fill mines to river levels. It also notes that it is unlikely that there will be sufficient water for this rehabilitation option. Council is concerned that water management strategies, including the Gippsland Sustainable Water Strategy, should ensure that mine operation and rehabilitation should not compromise the availability of sufficient non-recycled water resources to allow for the unrestricted population growth and to service the needs of employment generating industrial processes.

The rehabilitation of Latrobe Valley coal mines at the end of their economic life is problematic. The mines are large open cut operations. The very low overburden levels and resultant strip ratios that make them commercially attractive cause major rehabilitation challenges due to the low level of backfill material available from mine operations. Mine rehabilitation is a licence condition between the State Government and the mining company. However, there are implications for Council in the transport of overburden to and from dump sites that may involve trucking or conveyor systems that impact on local transport systems or the community. Council needs to be engaged in the formulation of any mine rehabilitation programs.