C O R R E C T E D V E R S I O N

ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

Inquiry into community energy projects

Traralgon — 6 March 2017

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Ms Mary Aldred, Chief Executive Officer, Committee for Gippsland.

The CHAIR — Good afternoon and welcome.

Ms ALDRED — Good afternoon.

The CHAIR — I'll introduce my fellow members. Cesar Melhem, myself Nazih Elasmar and Don Nardella. Welcome to the public hearing for the Economic, Education, Jobs and Skills Committee Inquiry into community energy projects. All evidence taken at this hearing is protected by parliamentary privilege. Any comments you make outside the hearing are not afforded such privilege. Hansard is recording today's proceedings. We will provide a proof version of the Hansard transcript so you can correct any typographical errors. You can say whatever you like and then allow us some time to ask you some questions, but please state your name before you start. Welcome.

Ms ALDRED — My name is Mary Aldred. I'm Chief Executive Officer at the Committee for Gippsland. Thank you very much Mr Chairman and Committee Members. Perhaps I could provide a couple of opening comments by way of background of the Committee for Gippsland and our thoughts on some of the terms of reference for this Committee. Committee for Gippsland we've been established in 2011 reincorporated not-for-profit organisation and we aim to be a positive and informed voice for the Gippsland region.

We have about 90 member organisations ranging from ASX-listed businesses, the four power stations, a renewable energy business, a number of community groups, not-for-profits, health care organisations, Federation University, Federation Training and a number of other organisations. We take a broad approach advocating through our strategic plans, specific projects and through policy submissions to inquiries like this.

Sector neutral, we work with other organisations in the region and we have a collaborative and a constructive relationship with the Gippsland local government network, individual councils, the RDA Gippsland Committee, regional partnerships committee and with the GLGN and the RDA committee we form One Gippsland which is in an effort I think to provide a consistent and cohesive set of messages on behalf of the Gippsland region to state and federal governments.

In 2016 the Committee for Gippsland initiated and launched the Our Region Our Future report, securing an economic future for Gippsland and the Latrobe Valley, which the Honourable Martin Ferguson launched for us in July last year and set really a blueprint for carbon transitioning in the Latrobe Valley.

We looked at a number of things in that report which was about 100 pages in length, including a survey of just over 200 small to medium businesses in the Latrobe Valley, 20 case studies, an economic and employment analysis which GHD undertook for us, as well as a set of recommendations on how we might navigate through a potential closure of Hazelwood Power Station which has eventuated since the release of that report.

There is 2,000 direct jobs linked with the Latrobe Valley energy sector and so innovation opportunities are incredibly important. As a Committee for Gippsland we see very much a low emissions but strong future ahead for the 500 years' worth of coal resources, particularly in projects that are not associated with electricity generation such as hydrogen, magnesium, fertiliser and so on.

Away from that area we also see continued investment in research and development of technology that secures low emissions energy as critical. Carbon capture and storage is one of these options and we see both a fuel and technology approach to a low emissions future as being quite important.

We note the terms of reference for this inquiry and if I could make a couple of observations. Firstly community energy projects do have merit and should be encouraged. But as I said as part of a fuel and technology neutral approach to low emissions and a secure energy future. Where there is suitable community interest and support, projects can range from wind, solar, hot water and possibly some newer technologies like an increasing interest in battery storage.

Energy innovation shouldn't just focus on small installations. There should be a focus and a will to build knowledge and innovation throughout the grid. If it's just smaller installations we're on the topic of that area, such as the Victorian energy efficiency target, while very worthwhile we would like to beyond just light globe installations because that alone doesn't build knowledge, innovation and bring online new technology.

Community energy projects have proven that where appropriate and where wanted they are certainly good for those communities. But I would encourage a question to be asked around what is the goal here? Is the goal to build an industry or is the goal to make more homes more energy efficient? And of course the two are not mutually exclusive from one another.

If we're looking at building an industry is there a goal there? There also needs to be a critical mass of research and development built in Australia, because without that we're looking at just being a technology taker rather than an innovator in this area.

There should be also a discussion around green jobs. You know what are green jobs, what is the definition here? Is there some sort of general consensus that we're talking about? Do they only extend to renewable energy or can we extend the definition to include low emissions technologies using a range of fuel sources, for example development and deployment of CCS.

Community projects are unlikely at this stage to be large scale so they will not present the economic and employment benefits that larger projects can be hosted in the Latrobe Valley. I think this is you know an important point when you look at the employment quantum that a single power station like Loy Yang presents at around 1,000 jobs, that's not an insignificant consideration. With that we're looking at many millions of dollars' worth of investment in the region as well.

Community energy projects can pretty much be done anywhere. It will not be a differentiator for the Latrobe Valley though when you consider a number of the other natural resource benefits that we have available here. You can conclude that you know community projects might likely be focused on wind, solar, hot water and similar types. But whether the Latrobe Valley is actually the best place for some of these installations when you compare to other parts of Victoria or indeed around Australia, probably needs further examination.

We could certainly manufacture equipment associated with these projects here. We have a highly skilled and available workforce. But again that's something that's being done around Victoria. Coal is our differentiator here, in Gippsland, in the Latrobe Valley. It's a job creator. It's an energy generator, certainly the next few decades even with the closing of Hazelwood Power Station. If new technology like CCS can be deployed, then beyond the next few decades.

There should be an encouragement of companies who are looking to invest and can use coal in an acceptable low emissions manner, that is with a low carbon footprint. Gippsland has the electricity grid capacity which again sets us apart as a differentiator. Battery storage-type systems could conceivably be installed here at a large scale. That said you know what is currently considered large-scale storage is not that big when you look at what that technological advancement and development could achieve over the coming years. The grid capacity is more attractive to new power generators whether they're coal or gas based.

CarbonNet should not be ignored in terms of the potential that it offers for the Gippsland region as a Victorian Government initiative and partner of CarbonNet. It's a world class and proven resource that will allow CO2 sequestration with commercially competitive pricing. It's a true enabler of coal-fired power plants with very low emissions output. Going back to the small types of energy, community projects already in—

Mr NARDELLA — Just go back to what you've just said. What are you talking about? I don't understand what you're talking about.

Ms ALDRED — CarbonNet.

Mr NARDELLA — Yes, what's CarbonNet?

Ms ALDRED — CarbonNet is a partnership that the Victorian Government participates in along with I think some federal government input looking at the development and deployment of carbon capture and storage projects and I understand that—

Mr NARDELLA — CCS, okay, Yes, Yes.

Ms ALDRED — Sure, so look I think you know in closing community energy projects certainly have a role. They've proved to be quite a success in a number of regional towns and communities. There is no reason why they couldn't be taken up in the Latrobe Valley and more broadly Gippsland. But I think that needs to be placed in a context of a range of fuels and technology types, as well as having regard for the natural advantages that we have here both in skilled and available workforce and resources, thank you.

The CHAIR — Thank you for that Mary. So after the announcement of the Hazelwood Power Station closure what were the Committee's priorities and to what extent the Committee achieved these and what strategies are planned for the future please?

Ms ALDRED — Thank you. I think one thing that we were very focused on when we initiated this Our Region Our Future report in August 2015 and then started it in early 2016 is we didn't want the region to be caught on the hop if there was a power station closure. It was something that was sort of fairly openly discussed in the community for quite some time and what Our Region Our Future did was provide a comprehensive fact-based piece of work that was contributed to by community, business, university, a range of stakeholders.

Through that the recommendations are fairly straightforward. One is in Gippsland we have a fairly broad-based economy, which is good we don't have all our eggs in one basket. We provide about 26 per cent of Victoria's beef production, 23 per cent of the nation's milk output. In tourism, largest inland lake system in the southern hemisphere. Phillip Island Nature Park which is not too far from here attracts over a million international ticketed visitors a year. So that is a strength of ours, that broad-based economy.

That said though the quantum of heavy industry that we have here in the Latrobe Valley, not just with the four power stations but Australian Paper's Maryvale Mill, that does sustain a smaller network of small businesses and contractors. So you know with the Hazelwood Power Station closure for example there is going to be a lot of contractors who don't receive a redundancy come March who have no work to go onto, although there are some very good brains and absolutely 24/7 attention being invested in assisting them at the moment.

So I think you know there needs to be a focus on industry diversification. What we already have here in terms of resources and how we can use that in a low emissions more innovative way, be that coal to hydrogen, coal to fertiliser. And then the role of infrastructure as well.

One of the things that we found through the economic analysis was that if a power station did close, we did a scenario of one power station and two power stations closing. Two power stations there would be about 1,500 jobs lost directly and then a further 1,700 indirect.

Now for someone that lives in Moe and works at a power station or an associated business, if they need to after a power station closes, travel to Warragul or Dandenong for a new job and they can't rely on adequate public transport to get there, they're going to leave the region and the report found that if we couldn't find a solution to that we could potentially lose up to 7,000 people from Gippsland which we don't want.

So that's why we've got some very strong recommendations in the report around upgrading the Gippsland V/Line rail system, shovel-ready infrastructure projects that provide a job stimulus, an economic stimulus in the short term, but also as an investment attraction to where we can sustain the businesses that we've got and bring in new investment. I guess that's underpinned by a view that it's always easier in any situation to protect the jobs you already have, protect the employment you already have rather than have to chase new jobs into the region.

The CHAIR — Thank you.

Mr MELHEM — Thank you Mary and good to see you again. I enjoyed your presentation in the last conference in Canberra. You've got four members which is the owners of the, and the operators of the Latrobe Valley coal-fired power station. Have they, to your knowledge have they explored any opportunity for renewable energy product or project in the region and what has been done in that space? So are they sort of, do you know whether they've turned their mind to blocking out other options or?

Ms ALDRED — Sure. I haven't had a direct conversation with them about this particular study but if you look at the owners of the power stations, so AGL who own Loy Yang A.

Mr MELHEM — Yes.

Ms ALDRED — They're quite heavily invested in a number of new technologies, renewable energy projects Australia wide. I think it's fair to say without speaking for them, that that is a close area of focus for them and they're investing strongly in that. I think Energy Australia who own Yallourn are at a similar level looking at those sort of projects and innovation. Engie who own Hazelwood and Loy Yang B have a number of other portfolio assets across Australia and internationally which are certainly, they comprise a number of fuel sources but renewables is one of them as well.

Mr MELHEM — So is any sort of about looking at something locally? Do you have any sort of initiatives or any plans for them to sort of looking at deploying some of these project or renewable project in the local area?

Ms ALDRED — Not those parent companies specifically. But I guess two points on that. One is you know Latrobe Valley doesn't have the wind or solar attraction that a lot of other regions have in regard to that. But down the track you know potentially there may be some interest in say offshore wind assets that may be picked up at some stage.

Mr MELHEM — You talked about battery storage. Is that something that would be feasible to, 'cause we've got the grid.

Ms ALDRED — Yes.

Mr MELHEM — Is that something to your knowledge that's been explored or what's the chances of looking at something like that?

Ms ALDRED — I think that has perhaps a good chance over the next couple of years of maybe securing a base here. We certainly as you say have the grid capacity but for some of the manufacturing and electrical requirements in those jobs there's not a dissimilar skill set to some of those power station roles. So that is one very feasible option that may be seen as quite practical from an investment sense over the next couple of years.

Mr MELHEM — So with the research you've done, the work you're doing are you aware of any international sort of examples where countries who relied heavily on coal to generate electricity and have they done anything in the space of renewable and if they have, have they sort of moved from coal dependent to renewable or have they got a bit of both?

Ms ALDRED — Yes.

Mr MELHEM — Do you have any comment to make on that?

Ms ALDRED — Certainly. If you look at a number of large global energy companies, they have what you'd call I suppose a broad base portfolio of assets which you know internationally can include nuclear. I'm certainly not suggesting that for here, but that is one part of their portfolio. Gas is another part. Renewables is a large other part and of course coal is also in the mix. So I think if we can look at furthering investment opportunities, Kawasaki Heavy Industries, a Japanese company, see Victoria as a very attractive investment destination for utilising our brown coal resource here to make hydrogen and I think provides jobs and economic potential for both our region, Victoria, as a state and further export opportunities.

Mr MELHEM — Yes, that's been recent I think interest in that, can you elaborate a bit more on that?

Ms ALDRED — A little bit as its still in—

Mr MELHEM — Sorry, I know your—

Ms ALDRED — No, no, that's okay. It's still sort of travelling along. A little bit beyond its infancy but we're very hopeful that that project will continue to progress very well. I think it's a great example of a low emissions innovative use of brown coal resource. It shows export and international investment opportunities for Gippsland and Victoria and I think you know watch that space, I think some good things are set to be announced in that area which would provide our region with jobs and export opportunities as well as a low emissions use for that product internationally.

Mr MELHEM — One last question from me. So what support can the Victorian Government provide Gippsland to encourage - to build the capacity for renewable energy generations, whether that's community based or a large scale?

Ms ALDRED — I think trying to take a technology and a fuel neutral approach. Don't exclude coal from being active contributor in a low emissions sense. It was very good to see the Victorian Treasurer actually travel to Japan as part of that Kawasaki example. I think that sets a very positive investment signal internationally. I think projects like CarbonNet are very important. I would also note that we've got the Global Carbon Capture and Storage Institute based in Melbourne.

Now that's a very large international exercise with a number of both countries, federal and state government organisations, private sector and research outfits and that is all headquartered in Melbourne. So I think taking advantage of some of those opportunities and also allowing CarbonNet to perhaps develop its role in the context of community engagement and information is very important.

Mr MELHEM — Thank you.

Mr NARDELLA — Carbon, CCS, I remember we put in 200 mil in the CCS in the last government before 2010. I'm yet to see what's come out of that. There is no company, there is no generator here, there's no generator I think anywhere in Australia where the CCS is actually implemented. Most of the companies that are in coal, certainly oil, you've got what the small multinationals call Rockefeller that are getting out of all the carbon, I mean they're just getting out.

So part of your strategy that you released with Martin Ferguson, how do you look at maybe having a stranded assets, maybe having a stranded assets but building an economy regardless of that? I mean I still think there will be based generators in terms of, if my colleague Peter was here, Peter Crisp, he would probably concur. But I think there would be a couple of generators, baseload generators, but they're going to be increasingly difficult because of climate change to continue operating, regardless of who's in office federally.

But the thing that I'm interested in is how do you change that mix without necessarily using carbon, because I think that's really where we're going. I've also been overseas. I've also had a look at the

hydrogen car and the hydrogen plant that has been developed by Toyota, great vehicle. Sat in it, drove around the ecovillage.

But that is a fair way off, but I think it's really good if Kawasaki are coming out here to have a squiz at it. But I would rather have a situation where they have a look at splitting water atoms then splitting carbon atoms or coal atoms. So how do you really promote that other mix that I think really is the future rather than going back—always going back to coal—carbon that I think is really problematic globally for the world, for people and families.

Ms ALDRED — Yes, I appreciate you know there's some very widespread views on coal as a resource. I think it's good to let technology rather than ideology look at a low emissions future for coal. I'm always you know intrigued that the IPCC who is widely accepted for their views and findings on climate change which mostly people accept, the IPCC also says that to meet the Paris Climate Change Agreement targets without CCS technology would be 138 per cent more expensive and people are not as ready to accept that as the other IPCC findings. So I think that's interesting.

It is a longer-term technology to be able to get successfully deployed. I think you know in the very short term there is certainly a lot more work that needs to be done but I think as a utilisation of an available and abundant resource here that has many jobs attached to it with the ability to make the very deep emissions cuts that we need in energy, to meet those Paris target agreements, there's some very worthwhile research and commercial investment work going on that should be continued with.

Mr NARDELLA — But Mary, we have a number of depleted reservoirs in Bass Strait, right just up the road we've got the Shell facility. And so that stuff is pretty close by. You've actually got vacant bits of rock that has been, the oil or the gas has been expended from. So if you can't get it going here right, after 200 mil being spent, you know the problem that I find is that I don't think it's going to work anywhere. I think there's a demonstration plant somewhere in the world but—

Ms ALDRED — Canada.

Mr NARDELLA — In Canada, that's—thank you Mary. But in terms of actually getting it up and running I don't think, it ain't going to happen, right. I would much rather see alternatives and there were some that were talked about before with the hydro, the storage and a range of other things. And again with Peter not being here, I think that those types of energy sources and baseload energy sources I think would be much more important for the economy and for jobs locally rather than banking on something that has not been put in place other than Canada a long time, for you know anywhere else. So I know that's really more of a comment then a question.

Ms ALDRED — Yes.

Mr NARDELLA — But that's my problem with CCS. I don't think, it's not a mature, it's not a viable—and especially with those offshore mines—not mines, but those offshore pipes, all they've done is cap them I think. So you've actually got the hole going into the vacuum and they're still not using it.

Ms ALDRED — Well with great respect I think we've probably got two different views on its long-term viability and deployment. You know Gippsland has a strong resource history. We contribute about 97 per cent of Victoria's natural gas. Bass Strait is not a stranger to some of those efforts and I think you know going back to CarbonNet again as sort of a lead research partner in looking at those deployment opportunities, there may be some very good things happening in the short-term future there.

Mr NARDELLA — I reckon if we can come back in ten years we could have this argument again. We'll see how we go.

Ms ALDRED — How about ten months.

Mr NARDELLA — Ten months, well if you could make it ten months then I'll buy you a coffee.

Ms ALDRED — Okay, thank you.

The CHAIR — Any other questions? Mary on behalf of the Committee I'd like to thank you for your time and for your evidence, thank you very much.

Ms ALDRED — Thank you very much for the opportunity, thank you.