

EXECUTIVE SUMMARY

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The Ruhr or Appalachia?

Deciding the future of Australia's coal power workers and communities

October 2018

The Ruhr region is a manufacturing and services region of Germany that has successfully survived the closing down of its coal industry and most of the power stations and steel industry associated with it. In sharp contrast the Appalachia region of the United States has endured decades of decline and social disadvantage due to there being no plan to deal with the decline of the coal industry.

With coal-fired power stations in Australia closing - which future will we choose?

Despite the energy policy vacuum, change is already being driven by technology and economics. But how Australia responds to this change determines whether the burdens and the opportunities are shared, or whether we create big winners and losers among us.

The Australian people and their leaders have a choice - we can "let the market rip" - which is largely how we have handled major industry restructuring in the past, with workforces and communities left devastated by company and investor decisions; or we can see the big changes that are coming and plan accordingly.

CFMEU Mining and Energy commissioned this report because Australia's power generation is already undergoing major transformation - and that will only increase. The report draws on experiences in other countries over many decades to show what works, and what doesn't. The goal in releasing this research is to push Australia towards a better way of dealing with this upheaval - towards Just Transition.

IN THE ENERGY DEBATE TO DATE, THE IMPACT OF THE TRANSITION ON WORKERS AND COMMUNITIES HAS BEEN ALMOST COMPLETELY IGNORED. THIS IS AN OMISSION WE CAN'T AFFORD. THE COSTS OF INVESTING IN A JUST TRANSITION NEED TO BE BALANCED AGAINST THE COSTS OF DOING NOTHING AND ABANDONING WHOLE COMMUNITIES TO A BLEAK FUTURE.

Tony Maher, CFMEU National President



KEY CONCEPTS

Just Transition – now part of the 2015 Paris Agreement under the UN Framework Convention on Climate Change (UNFCCC) – concerns a fair and just way of dealing with the adverse impacts on workers and communities from industry restructuring. In the climate change context, it is well-recognised that the fossil fuel power generation industry, along with other energy-intensive industries, will be profoundly impacted by strategies to reduce greenhouse gas emissions. Unless we mitigate those impacts—through protection against job losses through redeployment and compensation, retraining and skills upgrading, and industry diversification – we create large regions and communities that are losers from climate action.

Decent work and quality jobs – green jobs are not necessarily good jobs. Unsafe and poor working conditions can occur in renewable energy and other “green jobs” as readily as any other industry. Replacing permanent well-paid jobs with insecure and worse-paying jobs is not an improvement. Promoted by the International Labour Organisation, and as recognised by the UNFCCC, decent work entail jobs that provide adequate income and social protection, safe working conditions, and respect for rights at work and effective social dialogues.

Structural adjustment– while economies go through cycles of boom and bust, structural adjustment refers to a sustained or permanent change to the structure (or composition) of a national economy or a major part of it, like a region or an industry. It can be driven by technological change, by the globalisation of trade, by government policy, or by a mix of these factors and others. Structural adjustment can leave a region devastated for decades, or it can be managed so that regions and communities are able to survive and prosper.

THE CHALLENGE

Australia's coal power stations are already closing. The closure of the large 1,760 megawatt Hazelwood in Victoria in March 2017 brought the issue to national prominence because it pushed up power prices and threatened the reliability of the electricity

grid. But nine other power stations with about 3,600MW capacity had already closed.

Neither the private sector nor the public sector is willing to invest in new coal power; renewable energy technologies have become cheaper, and even the current owners of coal power stations (both public and private) intend to close them. Behind all these factors is the need to dramatically lower greenhouse gas emissions to reduce global warming. A 2017 Senate Inquiry into power stations closures concluded “The question is not if coal fired power stations will close, but how quickly and orderly those closures will occur, and what supporting policies will be in place, if any, to help manage the process.”

Closing down our coal power stations will not impact all Australians equally (though the impacts of higher power prices are more widespread). Our power stations are concentrated in particular regions – the Latrobe Valley in Victoria, the lower Hunter Valley, central coast and Lithgow areas of NSW, to the west of Brisbane, and in the Gladstone / Rockhampton region of Queensland, and near Collie in Western Australia.

In these regions, employment in power stations and the coal mines that supply them is usually a significant proportion of the workforce. Moreover, these jobs are relatively well paid, and the flow-on benefits of the demand for goods and services from the power stations themselves and the workforce are much more important to the region than businesses of similar size in major cities.

This report estimates there are around 8,000 jobs in power stations and dependent mines. More than that number again are in businesses and services that rely on those power stations. Losing that industry and those jobs will have huge adverse impacts on those regions unless there is a recovery plan – a different way forward.

Many, if not all, of Australia's coal power stations will close by 2035. Some may last until 2050 at the latest and will close earlier if operators decide the economic case stacks up.

We have time to develop and implement a program to change the future of those regions. But we must start now.

Australia has had plenty of experience doing structural adjustment badly – often only one third of displaced workers find comparable employment. Another third are forced into lower paid and less secure jobs, while a third leave the workforce altogether – many into an involuntary and under-funded early retirement.

We must do better – and if Australia is going to achieve broad support for its contribution to global action to mitigate climate change we must not impose large burdens on particular workforces and communities.

LEARNING FROM INTERNATIONAL EXPERIENCE

Industries may decline, but the regions associated with them don't have to. This report looks overseas to good – and bad – examples of what has been done. There is an emphasis on coal mining regions.

Singapore is a major example of a small nation, without much land or natural resources, that has lifted itself into the ranks of highly-developed nations, with a skilled workforce and good wages and living standards, through very deliberate planning over many decades.

South Wales in the United Kingdom, and Appalachia in the United States, are examples of coal mining regions affected by structural decline (not from climate policy but from competition from coal and other energy produced elsewhere) where there was (and is) a lack of effort to diversify away from coal, where the unionised workforce were often under attack from governments and employers, and where no sustained effort was made to achieve consensus on an alternative way forward. In Appalachia there is still no consensus on a new way forward despite overwhelming evidence that coal mining will not provide the basis for sufficient good jobs and good economic growth.

The Ruhr region of Germany, and Limburg region of The Netherlands, are best practice examples where governments, business, trade unions and others negotiated and agreed that the local decline of coal and steel could be offset by other development, and that the top priority was to protect and transition the affected workforce to other industries and jobs.



ELEMENTS OF A SUCCESSFUL JUST TRANSITION

There are two broad components to successful transition of an industry and a region.

The first is managing the immediate workforce impacts. The second is stimulating other economic development in coal power regions so they are no longer so reliant on coal power.

For programs to be successful, there must be dialogue and decision-making structures that bring together stakeholders – all levels of government, business, trade unions and communities.

While these measures will require investment in order to be successful, this should be considered in the context of the hundreds of billions of dollars needed to transform energy production in Australia into a near-zero emission industry.

LOOKING AFTER WORKERS

Older workers – with long notice periods for closure, older workers can plan for retirement. Early retirements may need top-ups of retirement funds. Retirees tend to stay in the region near their families and continue to spend on goods and services.

Younger workers – need opportunities to relocate to continuing jobs in power stations that are slated for later closure. They need access to retraining and relocation assistance – before their power station closes, not afterwards. Temporary income maintenance may be required.

Pooled redundancy and redeployment – an essential complementary element is a mechanism for voluntary redundancies to be coordinated and funded across power stations in a region, so that workers from a closing power station can move to continuing jobs. Successful transition programs don't rely on the punishment of forced redundancies – the Ruhr in Germany has transitioned many tens of thousands of coal miners without a single compulsory termination.

These measures require a new statutory authority - an Energy Transition Authority - to coordinate and fund the programs. They will not happen through purely voluntary participation.

LOOKING AFTER REGIONS

Infrastructure – investing in transport and other supporting infrastructure for new businesses, industries and a more diverse community creates a platform for new development

Cluster policy – new industries do not develop in isolation but rather spark off each other – especially in high technology areas and service industries. They need good connections with tertiary education and research institutions, and access to venture capital and start-up finance.

Strengthening local factors – the remediation or rehabilitation of closed facilities can foster ongoing demand for both traditional skills (like the earthmoving skills of a coal miner) and for new jobs around environmental services. Closed facilities can be repurposed to other economic activity. In the Ruhr, power station buildings and mine pit top facilities have been turned into tourist resorts, restaurants and museums – sometimes bringing many tourists into the region. Some mines and power station cooling lakes could be used for pumped hydro renewable energy.

There is no blueprint or successful program that we can buy 'off-the-shelf' and implement in Australia for Just Transition. But we do have best practice examples from other countries, and what the ALP Government in Victoria is now doing in the Latrobe Valley is a useful contribution.

What we do know is that waiting for each power station closure to confront us – like we did with Hazelwood – is no way to deal with a challenge that we know will be with us for many decades to come.

We can wait for coal power regions to collapse, with coal power workers, their families and communities becoming a disadvantaged and angry constituency, or we can plan now for a better future.