

**Submission
No 96**

SUSTAINABILITY OF ENERGY SUPPLY AND RESOURCES IN NSW

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Date Received: 10 September 2019

Submission to the NSW Legislative Assembly Committee on Environment and Planning Inquiry into the 'Sustainability of Energy Supply and Resources in NSW'

By Mark Latham MLC

10 September 2019

Background

On 28 February 2019, the three Independent MPs in the NSW Legislative Assembly, Alex Greenwich, Joe McGirr and Greg Piper, wrote to the Premier advocating a 'Coal Communities Transition Plan'.

They claimed, "Across the globe, governments are responding (to climate change) by transferring power generation to clean energy based on renewables." They forecast falling demand for Australian coal exports, enthusiastically declaring: "A transition away from coal is what the planet urgently needs." Apparently this is what NSW needs "If we are serious about saving the world from catastrophic climate change."

Sometimes in public life, one finds MPs with delusions of grandeur, making hyperbolic statements that inflate their role in securing public outcomes. One would have to look a long way, however, to find anything as delusional as this: three State MPs thinking they can save the planet by destroying jobs and working class communities in the Hunter Valley.

Remarkably, one of those signing this economic suicide note represents the Hunter: Greg Piper, the Member for Lake Macquarie. Even though he is advocating for a 'post carbon economy' he has admitted to not having any job replacement program in mind, let alone in place. "We have not proposed a strategy", he told me on social media, "Other than being open to suggestions and plans to make coal reliant communities resilient to change." How reassuring for his constituents certain to be unemployed in a coal-free Hunter.

As their guide to job creation in the region, the three Independents cited a new report by the University of Western Sydney, commissioned by 'Lock The Gate' activists, titled 'Weathering the Storm: The Case for Transformation in the Hunter Valley'. They repeat its claim that, "There are great opportunities for regional communities like the Hunter, including agriculture and wine, tourism and renewable energy."

It is instructive to read the UWS Report, produced by two 'Sustainability' academics. It gives a best-case scenario of 5,800 new jobs being created in the Hunter Valley by 2040. But the academics offer no detail, no viable economic plan, strategy or process for new industries or new jobs. It is argument by assertion and wishful thinking.

Existing Hunter industries of agriculture, 'grape growing', 'horse farming', tourism, manufacturing, transport and warehousing are cited, but readers are left wondering: Why would a decline in the coal industry provide offsetting employment growth in these sectors? Doesn't the Hunter need jobs growth in all its sectors (including coal) to help lower its unemployment rate? The researchers never answer these questions.

The only new industries mentioned are renewable energy and 'environmental remediation' of old mine sites. As serious job-creating prospects for the Hunter, this is nonsensical. Solar and windmill companies naturally locate where the sun and wind are strongest and land values are cheapest: in the western districts of NSW, not the Hunter. Mine site remediation offers only government-funded make-work jobs, nothing of substance for the region's long-term growth and prosperity.

The report ends with the greatest insult of all: a proposal for "Coal mining companies to be levied to pay for retraining and skill development for the (Hunter) workforce." That is, the climate change advocates who want to end coal mining believe that on the path to the industry's destruction, it should pay for the wellbeing of the retrenched workers (who the companies themselves would still employ if only the environmental movement would leave them alone).

The UWS report provides no encouragement for the Hunter. It falls well short of a viable jobs replacement strategy for the region. It's an extension of the economic suicide note drafted by the three Independents in February.

The Committee should not go down this path. Its members should not replicate the folly of Bob Brown and his Central Queensland Convoy during the Federal election campaign: trekking out of relatively affluent, comfortable inner-city and North Shore electorates to tell working people in the Hunter they need to be unemployed.

No matter what we do in NSW, the planet will survive. Elected people should not be in the business of knowingly killing off a region for the sake of an Armageddon theory that not only distorts the science of climate change (pretending the world is about to end) but also the policy challenges of energy production in NSW (where coal-fired power is essential for keeping the lights on).

The Committee should also be mindful of the limited scale of NSW Government plans for employment growth in the Hunter. In July, I asked the Premier (via the Notice Paper) how she had responded to the three Independents letter of 28 February. She referred me to the Government's 'Upper Hunter Diversification Action Plan' (UHDAP) and how, "The Government is working with local communities to open new agribusiness and energy opportunities."

For the period 2016-2036, the UHDAP projects employment growth of 5050 in the Muswellbrook, Singleton, Upper Hunter and Dungog LGAs – numbers similar to the UWS Report. This is a long way short of the regional jobs replacement required in a post-carbon NSW economy. The administration of the Action Plan has also changed. It was launched in 2016 by the Parliamentary Secretary for the Hunter (Scot MacDonald MLC) but the Government has now abolished this position.

Jobs in the Hunter

Coal mining is the backbone of the Hunter economy. It's the reason people in the region can house and care for their families, leading a decent life. NSW Minerals Council data shows that coal mining employs 14,045 people (full-time) directly and 61,707 indirectly in the Hunter – nearly 75,000 jobs in total.

If the Committee wants to wipe out this industry, that's the scale of guaranteed employment replacement required in the Hunter, upfront. It dwarfs the 5,800 new jobs projected in the UWS report and 5050 in the UHDAP. It points to a 69,000 jobs deficit if the coal industry were to close down and the UWS recommendations were to be accepted. The economic and social consequences would be horrific.

Coal mining is 18.1 percent of the Hunter regional economy, funding \$1.6 billion in wages and salaries and \$2.6 billion in the purchase of goods and services. The benefits for specific LGAs are more pronounced. The UWS Report highlights how coal accounts for 58 percent of the economic output of the Singleton and Muswellbrook shires. It provides 41 percent of all jobs in Singleton and 31 percent in Muswellbrook.

These jobs are essential for economic wellbeing and social stability. Away from coal, it is not a prosperous region for working class people and their townships. Cessnock has an unemployment rate of 7.4 percent. High youth joblessness is a problem everywhere. Maitland and other commercial centres have rising shop vacancy rates. The Federal Member for Paterson has said that some of her suburbs have unemployment rates of 12 percent.

Instead of grandiose notions of saving the planet, NSW MPs should focus on saving the Hunter economy. The region cannot afford to lose jobs in any sector. These are the people we represent. For them, it's a daily struggle to keep what they've got.

The Government should develop a **Hunter Jobs Plan** based on the following policies:

1. Support the coal industry and retention of coal mining jobs as the backbone of the Hunter economy. This means changing the State's environmental laws so that no court can disallow new coal mines on the basis that somehow these decisions are going to save the planet from a 'climate emergency' (as per the recent rejection of the Rocky Hill mine at Gloucester).
2. With several coal-fired power stations scheduled to close in the region over the next 30 years, it is timely to lift government bans on the development of nuclear power. There have been massive advances in the safety and efficiency of nuclear technology in recent decades, resulting in 'inherently safe' and cost-effective small modular reactors (SMRs). Among alternative energy sources, nuclear is the one most likely to provide transferrable skills for those retrenched from coal-fired power jobs. This is the policy of the NSW Deputy Premier, John Barilaro, and the Government should act on it.
3. Develop a new skills model for the Hunter, recognising the importance of vocational and technical education for the region's youth. In Europe, Polytechnics have been used as a catalyst for regional development. These advanced, industry-applied and supported facilities are needed in towns such as Cessnock and Maitland. The State Government has said it is creating new centres of vocational excellence associated with the Aerotropolis in Western Sydney. The same should apply for the Hunter. Under the Polytechnic model, students should be encouraged to live in town-based residential facilities – a significant boost to retail and night-economy employment.
4. Semi-skilled hospitality and tourism jobs are vital for lowering youth unemployment in the Hunter. In particular, the Newcastle night-time economy needs to be freed from excessive noise and licensing restrictions, realising its potential as a tourism mecca for the region. Over many decades, billions of dollars of public investment has been

poured into places like Honeysuckle and projects like the Newcastle Light Rail. The goal was to create thousands of new retail and hospitality jobs. Yet the Newcastle night economy remains suppressed, with only traditional beer-drinking venues open after midnight. These restrictions must be lifted, in line with Newcastle Council's plans for employment growth in the city centre.

5. The Hunter has competitive advantages in the racing industry, as evidenced by its world class thoroughbred studs at Scone and surrounding districts. Public investment in the industry can add to job creation, especially through the development of greyhound, harness and thoroughbred track facilities. Following the disastrous attempt at banning greyhound racing in 2016, the industry has been crying out for a new centre of excellence, for training and racing. This should be sited in the Hunter Valley.

Energy Security

Over many years, the Australian Energy Market Operator (AEMO) has tried to stay out of the public policy debate about Australia's energy supply. This changed on 22 August. Out of desperation, AEMO issued a grave, yet realistic warning about the heightened risk of widespread blackouts in Victoria and NSW.

It said that Australia urgently needs investment in dispatchable power to overcome supply shortages as older coal-fired plants close down. AEMO also pointed out how the continued use of "reactive" back-up generation was "imposing higher costs on consumers and risks to reliability which are not sustainable over the longer term".

In short, NSW is sleepwalking into blackouts. Following the scheduled closure of the Liddell power station in 2023, the projected lines for electricity demand and supply on the State's energy charts begin to separate (See attached graph presented to CEDA, 7 June 2019, by Paul Italiano, CEO TransGrid). In 2035-36 the situation becomes dire, with dispatchable capacity meeting just half of NSW peak demand.

Due to population and energy growth, demand is growing steadily year-on-year. Yet for the period 2015-25, AEMO has forecast a loss in baseload supply along the eastern seaboard equivalent to 30 percent of peak NSW usage. The State Government has no immediate plan for replacing this baseload loss, other than building an enhanced 'extension cord' into coal-rich Queensland (which has younger power stations than NSW).

The most pressing challenge for this Committee Inquiry, indeed for any NSW MP, is to develop the means by which the lights can stay on in our State. Nuclear power is banned and coal-fired power is being phased out of the market. Our land mass is relatively flat and dry, making mass hydro impractical. Most of the NSW gas industry has been banned, with the State only five percent self-sufficient in this resource.

While there is plenty of sun and wind in the western districts of NSW, these renewables are intermittent, meaning they can never provide dispatchable electricity supply. When the sun doesn't shine and the wind doesn't blow, there is nothing to dispatch.

The bizarre paradox of today's energy policy is that governments, Federal and State, are massively subsidising and setting targets (RET) for power sources that cannot do the job, that cannot keep the lights on. AEMO has now blown the whistle on this nonsense. Political

leaders must exercise their duty of care to the people they represent by increasing the supply of dispatchable electricity.

The South Australian experience is instructive, given this State has gone further down the renewables path than any other jurisdiction. Due to their intermittent nature, renewables surge in and out of the electricity grid, causing the problem of curtailment. At levels of around 30 percent of supply, they are incompatible with baseload 24/7 power.

In response, the former Weatherill Government decided to blow up South Australia's only coal-fired station. Now, in addition to its 'extension lead' into Victoria, South Australia is building a new connection into NSW. Without these interstate links (and no baseload of its own) the State would be experiencing regular, widespread blackouts.

Elon Musk has built the world's largest renewables battery farm in South Australia, but its capacity is limited. To use a NSW comparison, it only has enough storage to power up the Tomago aluminium smelter for eight minutes. Realistically, the Musk battery farm is not about viable storage. Instead, it is needed to stabilise the SA electricity system – an anti-curtailment role.

The head of AGL, Brett Redman, has tried to quantify the battery storage task for a 100 percent renewables Australian economy. It would require 350,000 shipping containers filled with batteries. If laid end-on-end, they would stretch from Sydney to Perth and into the Indian Ocean. Clearly, this is not going to happen. Renewables advocates talk about 'the science of climate change', but when it comes to storage technology, they are engaged in acts of science fiction.

Electricity is notoriously difficult to capture and store. There is no proven, cost-viable technology for mass battery storage in Australia. Describing pumped-hydro as a solution is ludicrous. It's an entirely new power generation system, using renewables (on the spot market) as the main electricity input for pumping water to the top of plateaus. The extraordinary cost of Snowy 2.0, estimated at \$6 billion, highlights the diseconomies of scale of pumped hydro on the Australian mainland.

The Committee Inquiry faces a single, unavoidable conclusion. In the absence of nuclear power, coal is essential not just for Hunter Valley employment, but keeping the lights on in NSW. It is the State's best available option for meeting AEMO's recommendation for an urgent boost in dispatchable electricity supply.

The Energy Minister Matt Kean has spoken of the potential for large-scale private sector investment in gas peaking-plants, but this is yet to eventuate. Elsewhere, technologies such as battery storage are unproven and undeveloped. No responsible government can place the economic future of its people in the hands of hunches and wishful-thinking technology. A NSW power grid based on a little bit of hydro, lots of renewables, banned nuclear and phased-out coal will inevitably lead to mass blackouts and the economic and social devastation of the State.

Coal Exports

In their 28 February letter, the three Independents said:

Most of the coal mined in NSW is exported for use in coal-fired power stations and this not only makes us responsible for massive carbon emissions; it makes us vulnerable to changes in the coal market. There are estimates that efforts across the globe to meet Paris Agreement targets will dramatically cut demand for coal in the next two decades by more than 50 percent.

The source of these 'estimates' is not specified. In fact, credible reports (such as the BP Energy Outlook, 2019, pages 55 and 103) point to steady levels of global demand for coal (at 3500 Mtoe) through the 2010-40 period. While demand in OECD nations and China is falling, this is being offset by industrialisation in India and other Asian nations heavily reliant on coal. India's share of global coal consumption is expected to more than double to around one-quarter by 2040. Let's call it the Adani Effect.

The recent 'International Conference and Workshop on Clean Coal Technology' hosted by the Thai Government in Bangkok (1-2 August) forecast a three-fold increase in clean coal-fired capacity in ASEAN, contributed mostly by Indonesia and Vietnam, followed by the Philippines, Malaysia and Thailand. By 2040, coal is expected to become the region's biggest fuel input. Reports of the death of coal are greatly exaggerated.

Even if NSW/Australia banned coal mining, our Asian neighbours would still need to import thermal coal for at least the next 20 years. Countries such as Indonesia, that have lower-quality thermal coal than the Hunter Valley, would supply this resource. Given this substitution effect, global carbon emissions would increase – a perverse outcome for environmentalists urging an end to the Australian industry.

This is also true of energy policies driving the manufacturing sector offshore. Without dispatchable baseload power, companies such as the Tomago aluminium smelter near Newcastle have no future. Smelting and other manufacturing would move overseas, to less energy efficient countries such as India and Indonesia. Thus under the Greenwich/Piper/McGirr formula, NSW would be exporting its carbon emissions as we shed manufacturing investment and jobs. The net result would be an increase in total global emissions – further evidence of the counter-productive nature of anti-coal activism.

There is another opportunity cost in trying to kill off coal. Each year the NSW Government collects over \$2 billion in royalties from this industry. What alternative revenue stream is available to replace this black hole in the NSW Budget? How else will the State be able to adequately fund its hospitals, schools, transport links and legal system? As the rivers of gold from the Government's privatisation program start to dry up, it cannot afford to blow a further \$2 billion hole in State revenue.

The NSW Treasurer, Dominic Perrottet, summarised the argument for the importance of coal perfectly at Budget Estimates on 29 August:

I think that, yes, there are great opportunities now and into the future for the continuation and export of coal. This is where I, as Treasurer, get frustrated with the demonising of coal here in New South Wales by certain sectors of the centre—or

more left-wing parties— when, as you say, off the back of this are royalties and funds which support our teachers, our nurses, our police officers. Not only do they provide a great source of energy security into the future but those industries provide a great source of revenue to keep our State strong.

Conclusion

Unlike the United States, Australia has been fortunate not to have rust-bucket regions: long stretches of working class communities hollowed out by deindustrialisation, with the parents on welfare and the kids on drugs. The Independents' agenda – the destruction of the coal industry without a feasible job replacement strategy – will take the Hunter down this path.

It cannot be allowed to happen. Thankfully, the 2019 Federal election result showed that the people of this and similar regions will not let it happen. They won't support MPs writing out economic suicide notes for them, their families and their community.

Working people in coal-reliant regions have figured out that the much-fabled 'transition to a clean energy economy' is actually code for throwing them onto the welfare scrapheap. In the absence of clear replacement jobs for coal, voters in the Hunter Valley and Central/Northern Queensland flooded away from Labor and the Greens at the May election. They weren't going to be turkeys voting for Christmas.

Climate change advocates need to put their ambitions on hold until such time as they develop detailed, proven plans for job creation in communities otherwise gutted by the end of fossil fuel production. Social justice on climate change cannot mean the social injustice of consigning entire working class towns to a life of welfare dependency.

Given the incredibly high proportion of coal jobs in the Hunter, harming this industry will gut the region. Green activists internationally want to hurt the Hunter. The NSW Government should not be assisting them. Its jobs strategy should be to support coal domestically, supplementing mining jobs with the new growth strategies outlined above.

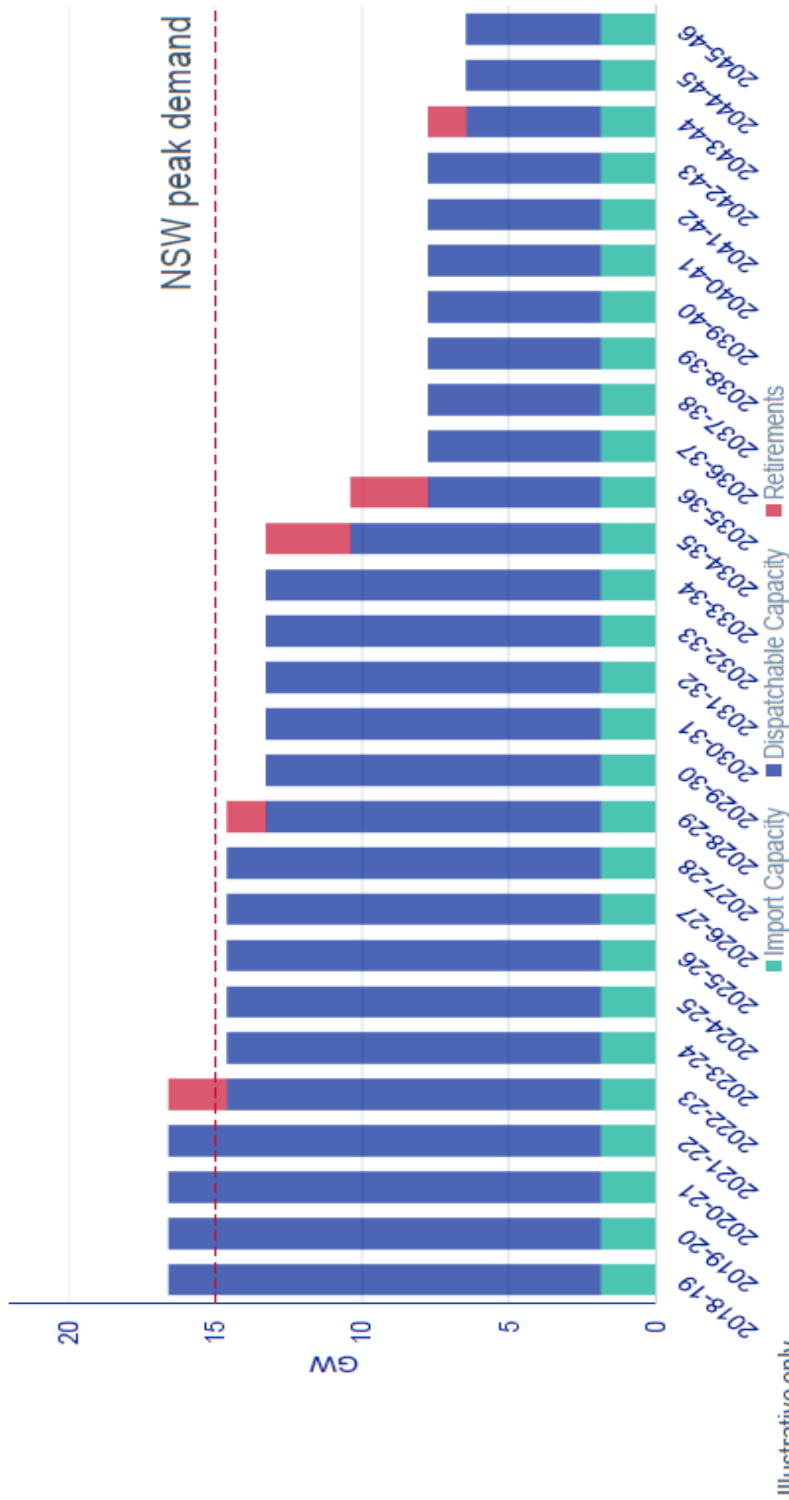
When the Committee Inquiry was announced, the Sydney Morning Herald (17 July) reported that Premier Berejiklian was supportive "after the three (Independent) MPs offered to provide support for the government in parliament if required." This is the political fix: coal jobs in the Hunter are being sacrificed to shore up the Government's lower house numbers, in case of by-elections and/or defections.

This Inquiry was conceived through a letter of delusion and economic recklessness during the 2019 NSW election campaign. Then it was made possible in the Legislative Assembly as part of a political power play. Working people in the Hunter Valley should not pay a price on either front. Their jobs and prospects in life cannot be jeopardised.

For the sake of energy and employment security and to promote sound public policy in NSW, the Committee should adopt the approach and recommendations outlined in this submission.

Supply is Changing

NSW dispatchable generation



Source: Australian Energy Market Operator (AEMO) and TransGrid