

SUSTAINABILITY OF ENERGY SUPPLY AND RESOURCES IN NSW

Name: Mr Greg Piper MP

Date Received: 12 September 2019



PARLIAMENT OF NEW SOUTH WALES
LEGISLATIVE ASSEMBLY

GREG PIPER, MP
MEMBER FOR LAKE MACQUARIE

Electorate Office
92 Victory Parade
Toronto NSW 2283

Tel: (02) 4959 3200
Fax: (02) 4950 4076

Email: lakemacquarie@parliament.nsw.gov.au

Ref: dcs.s19/11

12 September 2019

The Chair
Committee on Environment and Planning
GPO Box 5341
SYDNEY NSW 2000

Dear Committee

SUBMISSION: SUSTAINABILITY OF ENERGY SUPPLY AND RESOURCES IN NSW

Thank you for the opportunity to make this submission to your inquiry.

The focus of my submission is on Parts 2, 3 and 4 of the Terms of Reference, in particular the impacts that a global decline in coal export markets and the domestic decline of coal-fired energy production will have on my electorate.

The Lake Macquarie electorate is home to Eraring Power Station. It is the largest coal-fired power station in Australia, producing 2880MW at full capacity and supplying 25 per cent of the State's baseload electricity. It was purchased from the State Government in 2014 by Origin Energy and is currently earmarked for closure in 2032. It currently employs about 400 people.

The electorate is also home to a number of mining operations by Centennial Coal, including a large underground mine at Mandalong, an underground mine at Myuna Bay and the care and maintenance of the Newstan mine near Awaba.

They are part of a significant coal mining industry in the broader Hunter Region which generates about \$4.3 billion in annual economic activity. The NSW Minerals Council estimates that coal mining employs 612 people in my electorate alone, providing more than \$86m annually in wages. It also supports 262 small businesses in the electorate and generates a direct spend of \$204.5m annually. Those figures are even greater in major mining towns which neighbour Lake Macquarie, such as Muswellbrook and Singleton, as well as the Port of Newcastle which is the largest coal export port in the world.

Needless to say, mining is currently one of the most important industries in Lake Macquarie.

Having said that, the scientific consensus on climate change is very clear.

What is also very clear, is that governments across the globe are transferring energy generation away from fossil fuels towards renewable sources.

I very much agree with the scientific consensus on climate change and the impacts it will have on communities around the globe long into the future, but my submission is not based primarily on that issue.

Regardless of one's views on climate change, global markets (and indeed domestic markets) are moving away from coal-fired energy production towards cleaner, renewable power sources.

Even the 'climate deniers' or those who are agnostic to climate change must understand that international markets are also subject to geopolitical tensions and policy shifts in response to climate change. Some countries are also facing the need to reduce atmospheric pollution and other emissions for human health reasons, or are shifting because emergent technologies are producing cheaper power. As is the case with all new technologies, they tend to be adopted at a very quick pace.

All these factors leave Australia's coal industry exposed to a high risk of severe economic impact, job losses, and of becoming littered with stranded assets.

Any of these shifts will have major impacts on local economies and communities such as Lake Macquarie and the Hunter Region. My submission, therefore, is that we must start preparing these communities for that transition. While the local coal industry will be reasonably well served over the short-term, traditional coal communities and economies will not survive the long term unless they are significantly diversified.

As I mentioned previously, Eraring Power Station is slated for closure just 13 years from now. The nearby Munmorah Power Station has already ceased coal-fired power generation, while another neighbouring coal-fired power station at Vales Point is also slated for closure in 2029, although its current owner has indicated its life may be slightly extended.

Australia's largest coal exporter, Glencore, announced earlier this year that it will cap its coal output and favour assets more resilient to climate change. The Port of Newcastle is seeking to diversify into container exports because it is expecting coal exports to decline over the next decade.

The demand for high-quality thermal coal from the Hunter Valley, specifically by China and Japan, is in decline. Both the Chinese and Japanese economies are rapidly moving towards clean energy production.

In China, investment in thermal coal-fired power plants fell 30 per cent in the past year, while investment in hydro and wind power projects soared by 48 per cent and 30 per cent respectively.

In Japan, five major utilities companies have scrapped plans for coal-fired power altogether. The Japanese government is estimating that coal-fired power generation will fall to 281 billion kilowatt hours by 2030, down from the current figure of 346 billion kilowatt hours.

These examples all reflect a major shift in the global market.

This fall in global demand, which is being mirrored in other parts of the world, will have significant impacts on Australia's coal export markets, on coal ports like that in Newcastle, at mines throughout the Hunter Valley and at the coal face in places like Lake Macquarie.

We must respond to what these markets are telling us. Regardless of the plans and visions that our domestic governments have for coal mining and coal-fired power, these industries are heavily reliant on global markets and commercial factors that are beyond the control of our Federal and State governments.

Without building capacity in coal-dependent communities such as Lake Macquarie, Newcastle and the Hunter Valley, I believe there is a real and very significant risk of economic disruption or even collapse.

There is enough evidence to suggest that this region's coal industry will survive the next decade, but it will likely not survive the next two decades if the global market continues to shift in its current direction, and at its current pace, with or without major changes in thinking on climate change.

A transition plan for communities which rely on the coal industry must start now or they risk being stranded. We must establish a plan to avoid the social and economic impacts that this global downturn will have on mining regions. We must build resilience into their economies. We must diversify industry, retrain workforces, tap into emerging industry to create new jobs, and we must start with a transition authority which can make those things happen.

In June this year I joined my State Independent colleagues Alex Greenwich (MP for Sydney) and Dr Joe McGirr (MP for Wagga Wagga) in calling on both major parties to commit to a 10-year adjustment strategy for coal mining communities.

I acknowledge that the newly-elected State Government has begun that process and this inquiry will, I hope, identify the urgent need for that transition authority to be established quickly, along with the substantial financial resources that will be needed to take those mining communities into the next few decades.

I would point the inquiry committee to a large body of work already started in the Upper Hunter, called the Upper Hunter Economic Diversification Action Plan. Produced by the University of Newcastle in conjunction with four Hunter Region councils, the plan sets out an immediate priority to better establish the Australian Transition Academy and identifies a number of ways which local industry and economies may be diversified in future years.

They include new opportunities in agribusiness, resources and energy, and various ancillary services sectors. Some of these areas have existing strengths in equine, agriculture, manufacturing and tourism which should be harnessed and grown. They have educated and skilled workforces, proximity to major domestic markets and access to major global markets.

The State Government must play an integral and significant role in that transition authority, along with existing industry, particularly those within the mining sector.

I believe the time for political debate and posturing on this issue, and that of climate change, has long passed. Governments of any persuasion can have all the visions, ideologies and plans for our coal industry that they like, but it is the global market which will determine the future of our mining communities and every part of that market is telling us we need to transition – the coal companies themselves, the ancillary industries, the emerging industries in clean energy production, and most importantly, the biggest global economies in the world which are moving away from our thermal coal exports.

As I mentioned earlier, one's views on climate change are not the issue, although mine are perfectly clear. The real issue is that international markets themselves are moving towards a long-term future in clean energy production and we cannot let communities like those in Lake Macquarie and the Hunter Region die a slow and painful death as the world moves into a post-carbon economy.

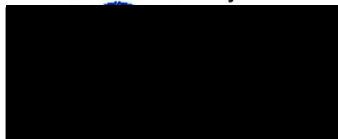
These communities have the capacity to capitalise on the economic opportunities of the renewable energy industry. They have the capacity to support other sustainable economic development. They have the capacity and willingness to adapt, and the knowledge and skills base to transition.

It can start with a NSW Transition Authority and I hope your inquiry can give that the priority it needs, along with a recommendation that it receive the appropriate levels of funding.

We must prepare for that transition. We must identify the opportunities that exist in traditional mining communities. We must create new industry and new jobs. We need to be more than a resource 'lucky country'. We need to be a smart country willing to explore wider opportunities for our economic future.

It is very strongly my view that our climate is not the only thing depending on it.

Yours sincerely



Greg Piper, MP
Member for Lake Macquarie