Submission No 141

SUSTAINABILITY OF ENERGY SUPPLY AND RESOURCES IN NSW

Organisation: CFMEU Mining and Energy

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Committee on Planning and Environment
NSW Legislative Assembly
SYDNEY NSW

Submitted via online portal:

Dear Committee,

Brief submission –
Inquiry into sustainability of energy supply and infrastructure in NSW

The union has noted the Committee's call for submissions and takes this opportunity to make brief comments and to draw various sources to the Committee's attention.

CFMEU Mining and Energy Division is part of the Construction, Forestry, Maritime, Mining and Energy Union, the major trade union in the industries of its title. The Division represents approximately 20,000 workers in Australian mining – especially coal mining – and in power generation – especially coal power generation. In NSW we are easily the major union in coal mining and in coal power generation, both of which have highly unionised workforces.

It must be made clear that the union accepts the science of global warming as stated by the Intergovernmental Panel on Climate Change, and endorsed Australian ratification of the Kyoto Protocol (1997) and the Paris Agreement (2015) under the United Nations Framework Convention on Climate Change (UNFCCC)

With respect to the Terms of Reference in the Inquiry the following observations are made:

- The coal mining industry is one NSW's key export industries. Along with Queensland, it produced $60.4 billion of exports in 2017-18 and it is estimated the figure is even larger for 2018-19. Only iron ore is a larger export industry, while the nearest services export industry is the education of overseas students at $32.4 billion – and that is already at a scale that is causing controversy and vulnerability for the education sector.
- Coal mining produced the vast bulk of mining royalty revenue for the NSW govt, which in the 2018 NSW Budget was given as $1.8 billion. NSW, like all States, is heavily reliant on transfers from the federal sphere for the bulk of its budget, so the royalty stream is a major one that is independent of that.

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- The NSW coal mining industry has around 21,600 workers directly employed as of May 2019. These workers are typically paid between $100,000 and $150,000 per year. (Efforts by mining companies to reduce wages through the use of labour hire and contractors push some wages towards the lower end cited, but are still required to be above wages in other industries in order to attract and retain workers in an intensive shift-work context.)
- The union has estimated that the coal power industry employs something over 8,000 people nationally (it is significantly smaller than coal mining) including contractors heavily dependent on power station work and those working in coal mines focused on supply to power stations rather than exports. Coal power wages are mostly well-over $100,000 and range towards $200,000 per year.
- The jobs in coal mining and in coal mining have significant multipliers – both through the spending of those good wages in regional areas, and through the activities of suppliers to the mines and power stations. That multiplier is between 1 and 2 per job in the industry. There are actually more jobs outside these industries that are dependent on the industry than there are within them. Add in dependent spouses and children and the number of people reliant on these industries is substantial – and in particular regions can be the major or defining demographic feature of the region.
- Coal power stations are a large minority of generation capacity at about 25 Gigawatts nationally – but they easily supply the majority of power generated – over 60% (75% in NSW) - because they have higher availability factors than intermittent renewables and are cheaper to run than gas power stations.

The union is acutely aware that a number of older coal-fired power stations have closed, and that most or all of those still operating are unlikely to be replaced when they reach either the end of their technical operating life or the limit of their commercial viability. Or are subject to stronger climate policy!

In the first decade of the 2000s the union sought the development of Carbon Capture and Storage for the transformation of coal use into a low-carbon technology. As that option has not progressed into being cost-competitive with the rapid advances in renewable energy technologies, the union has had to confront the situation that almost all owners and operators of coal-fired power stations in Australia have declared that they will close the assets at some point and not rebuild them.

While there remain major “total system cost” issues with 100% renewable energy for power generation in Australia, and it is possible-to-probable that some non-renewable power technology may be used to ensure electricity system reliability and energy security, it is inescapable that there will be a dramatic decline in coal power generation in Australia.

What happens to the workforce and associated regional communities that are dependent on coal power generation is therefore a key concern for the union. While Australia as a whole has valid concerns about electricity prices and reliability, and energy-intensive industry has even stronger concerns, the specific focus for this union is the regional communities around power stations that are highly dependent on them for secure and well-

paid employment, and for the flow-on benefits to other industries and employment in the local area from those large operations.

With around 33% of Australia's emissions coming from power generation – coal and gas – it is abundantly clear that the industry will undergo major transformation and that such transformation has already commenced.

The union has undertaken major work in this area as well as working with others.

The Committee is referred to the November 2016 publication by the ACTU: "Sharing the challenges and opportunities of a clean energy economy – a Just Transition for coal-fired electricity sector workers and communities".[1] The union also launched commissioned work from the University of New South Wales in late 2018: "The Ruhr or Appalachia? Deciding the future of coal power workers and communities".[2]

The latter publication in particular seeks to present a "best practice" approach to dealing with major industry restructuring that prioritises workers and communities. In doing so it highlights international case studies that are good and bad examples of coal industry restructuring.

Since the release of the CFMMEU-commissioned report, Germany has released (in February 2019) its program to phase out brown coal mining (black coal mining is already phased out) and all coal power generation by 2038.[3]

The German approach has been to achieve consensus among all stakeholders as to the way forward that meets emission targets while looking after those that would otherwise lose out in major industry restructuring. Trade unions are regarded by all parties as key stakeholders. It is instructive to note that the German plan was negotiated in a period of around eight months.

Contrast the progress in Germany with Australia where climate and energy policy has been highly-contested for well over a decade and has had many high-profile casualties including a number of Prime Ministers and Opposition Leaders.

The most recent federal election result has continued the trend of high-cost confrontation on climate and energy issues, with several seats in central Queensland, the Hunter Valley and in the inner-city areas of Sydney, Melbourne and Brisbane experiencing major swings (in opposing directions!) on the climate issue.

The union considers that the polarisation of coal mining electorates was an avoidable problem. The focus should be on the decline of domestic coal power as that is where Australia's emission responsibilities and energy troubles lie. The much larger export coal industry is still growing and highly profitable. And close to half of it by volume and about

[1] http://bit.ly/ACTU_report
[2] http://bit.ly/IRRC_report
[3] English version - http://bit.ly/2k2Jxz8

two thirds by value is coking coal for steelmaking and therefore has longer term prospects than thermal coal for power generation.

Overseas demand for Australia's thermal coal will peak sooner or later as those countries implement stronger climate policies and /or the economics of renewables become more favourable. When that happens, Australian governments (Federal and State) will need the tools to manage the transition. It is the union's strong view that the nation needs to prove that it can manage the fair and just transition of domestic coal power workers and communities before it can plausibly be claimed that the tools even exist to transition other industries in a fair and just manner.[4]

At page 9 and many other pages of the German report, it is made clear that Germany's coal phase out will have, as a key requirement, that there are no forced redundancies and no unreasonable social or economic disadvantage is to be suffered by affected workers. This approach builds on the path taken in the closure of the German black coal mining industry (primarily done for economic rather than climate reasons) where an industry that employed more than 130,000 people in 1990 was phased down to near-zero in 2018 with no forced redundancies.[5]

However, the biggest cost associated with the German program is not the workforce measures. As was the finding with the union's Ruhr and Appalachia report, the much larger costs are associated with the creation of a new future for the affected regions. In Germany 40 billion Euro (A$65 billion) has been allocated to enable coal regions to have a future that is diversified away from coal mining and coal power.[6]

In Spain a similar multi-stakeholder process including unions was able to negotiate the closure program for coal-fired power generation there with agreed good compensation for affected workers. The Committee is directed to work published at coaltransitions.org for this and other case studies on coal transition.

In reflecting on the Australian experience to date, and the prospects for better progress, it should be recognised that achieving Just Transition for workers and communities in coal power is not simply a good moral or ethical position. It is actually fundamental to the prospects for success for better climate and energy policy in Australia.

Where we create losers, where we make or pursue policies that require that certain communities bear a disproportionate burden, where we focus only on economic efficiency and environmental effectiveness and forget that successful transformation is primarily a social process, we set up the process and the policies for failure. This has been amply demonstrated in Australia over the last decade and more.

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[4] Tony Maher (2019), "Greens share blame for climate shambles with the hard right" in The Australian Financial Review, 2 August

[5] http://bit.ly/2lCsi8f and http://bit.ly/2lBug8S

[6] "German plan to phase out coal would cost a cool $64 billion" in The Sydney Morning Herald, 27 January 2019

There will always be those who, motivated by short-term electoral gain or profit-making, will seek to exploit community division over climate and energy. Some green or climate action groups also engage in tactics that polarise communities. The attacks on the export coal industry – truly bizarre when the emissions from the use of that coal in other countries are the primary responsibility of those countries under the Paris Agreement – are an example of counter-productive campaigns that have reduced Australia's progress on domestic emissions reduction.

The solution to those divisive tactics is to build longer term consensus over the need for major change that brings everyone along.

The problem that we have had with most of the gestures of recent times about alternative futures for coal power workers and communities (and beyond that, for the much larger communities of the coal mining and export industry) is that they are little more than traditional band-aid structural adjustment packages, with a shiny "Just Transition" marketing label that continues to leave those people far worse off.

The renewable energy sector does not provide a ready alternative to coal power and coal mining jobs – both because there are few jobs in renewable energy operations and because the greater jobs in construction and installation tend to pay much less and also have cases of significant exploitation.[7]

Attempts to plan or even describe an alternative future for coal regions without major government programs tend to show that incomes fall and people's prospects are diminished.[8]

Germany has paid a price for achieving consensus on major restructuring to reduce emissions from power generation; some argue that it could be achieved sooner and cheaper if some of the social costs were stripped out. Even though those social costs are a tiny fraction of the overall costs of major restructuring. But what Germany has shown is that there are pathways to emissions reduction involving major industry restructuring that prioritise fairness and justice - and thereby succeed.

In Australia business, governments and even climate campaigners continue to regard workers and communities adversely affected by industry restructuring as simply "collateral damage" towards necessary goals. And we continue to be plagued by major division on climate and energy and fail to make sufficient progress.

It's about time we started learning from our mistakes!

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[7] "Backpackers are filling solar energy jobs promised to locals: Union" in The Sydney Morning Herald, 3 May 2018

[8] See for example: Perry and Hewitson (2019), "Weathering the storm: The case for transforming the Hunter Valley", 29 January, Western Sydney University.
https://www.hunterrenewal.org.au/summit_resources_reports

The union hopes that the Committee is able to make a positive contribution that helps achieve consensus on climate action in Australia and does not perpetuate the climate wars.

Yours sincerely,

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